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ABSTRACT

A study examined whether the state and federal performance standards for Job Training Partnership Act (JTPA) programs have influenced Service Delivery Area (SDA) and service provider decisions about program design and implementation practices in ways that have affected the clients served, the types of services provided, and the costs of the services. Only a few SDAs appeared to give priority to their performance goals at the expense of other program objectives. A great deal of variation was found in the way states have chosen to use their authority to establish JTPA performance standard policies and to set priorities for the types of clients served. States that established target groups for JTPA programs did influence SDAs to enroll more hard-to-serve clients. There was no evidence to suggest that federal standards for the entered employment rate and wage rate for adults generally had unintended effects on clients or services. On the other hand, federal cost standards did have a number of unintended effects and were the least comparably measured of all federal performance measures. (This report includes general recommendations for national, state, and local policies and specific performance management recommendations pertaining to six areas. Thirty-five data tables are included.) (MN)

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JTPA PERFORMANCE STANDARDS

Effects on Clients, Services, and Costs

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Section 106(f) of the Job Training Partnership Act states "The National Commission for Employment Policy shall ... evaluate the usefulness of ... standards as measures of desired performance, and evaluate the impact of ... standards (intended or otherwise) on the choice of who is served, what services are provided, and the cost of such services in service delivery areas."

EVALUATION OF THE EFFECTS OF JTPA PERFORMANCE STANDARDS ON CLIENTS, SERVICES, AND COSTS

Final Report

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September 1988

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September 1988

TO THE PRESIDENT AND THE CONGRESS OF THE UNITED STATES

The National Commission for Employment Policy (NCEP) is pleased to present to you this Executive Summary of our major research study entitled, *Evaluation of the Effect of JTPA Performance Standards on Clients, Services, and Cost*. This is the first national evaluation of a cornerstone of the Job Training Partnership Act (JTPA)—the implementation of clear, measurable program goals that exemplify "the return on investment" strategy upon which the entire program is built. In fact, Congress itself believed that performance standards were of such importance that it mandated an evaluation of their impact in the enabling legislation. Section 106(f)(2) of the Act directs the Commission to "evaluate the impact of such standards (intended or otherwise) on the choice of who is served, what services are provided, and the cost of such service in service delivery areas."

I believe this report is one of the major contributions of my tenure as Chairman of the Commission. Contractors working on the study, SRI International and Berkeley Planning Associates, are to be commended for their superb job of gathering and analyzing the diverse and complicated data. As one of our reviewers notes "this is a tremendously valuable piece of work, breaking new ground in national studies." I am confident you will agree that the findings detailed are very useful, having implications that go well beyond the performance management system and beyond JTPA. Many of the findings can be helpful when enacting legislations for other human resource programs.

The Commission believes that programmatic performance standards have been a successful strategy to focus the management of JTPA toward the goals of the legislation—finding productive employment for disadvantaged people. This not to say that no adjustments are needed to improve the performance management system; however, we feel that, overall, the performance management system is having its intended effect of guiding JTPA resources toward meaningful investment in the Nation's most precious resource—its human capital.

The Commission is pleased to have the opportunity to present you both general and specific recommendations that we feel would make the performance management system even more valuable to the Nation's largest job training system. Please contact me if I can be of further assistance to you.

Sincerely,

Gertrude C. McDonald

Gertrude C. McDonald
Chairman

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PREFACE

This report is organized into 5 sections with 14 chapters and recommendations. The first section titled "Introduction" includes three chapters containing background material including the goals of the evaluation, a description of the conceptual model used, and an overview of the Federal and State roles in the performance standards system.

Section B includes three chapters on the quantitative analysis, which focus on the main issues of the study—determining the effect of performance standards on who is served, the types of services offered, and the cost of such services. Section C contains six chapters on the qualitative analysis. Information in this section was obtained from the site visits to States, Service Delivery Areas, and service providers.

Section D contains a summary of the findings and conclusions of SRI International and Berkeley Planning Associates, the authors of the report. The final section contains recommendations of the National Commission for Employment Policy concerning changes to the performance management system.

A separate volume contains the Appendixes to the report, including the questionnaires used. A separate Executive Summary of the report is also available. Additional copies of the report are available from the National Commission for Employment Policy, 1522 K Street, NW, Suite 300, Washington, DC 20005.

ACKNOWLEDGMENTS

The National Commission for Employment Policy wishes to thank the many individuals who contributed to this report. First, we are grateful to the the Service Delivery Area (SDA) Directors and their staff who completed the lengthy director's questionnaire and the fiscal questionnaire, without which the thorough analysis would not have been possible. State staff were also exceptionally cooperative in furnishing our contractors with copies of their policies and procedures relating to their performance management systems, enabling us to obtain information from all 50 States.

Special appreciation must go to the performance management staff in the States of California, Maryland, Missouri, Massachusetts, Missouri, New Mexico, New York, North Carolina, and Ohio and to the State Job Training Coordinating Council staff in those States for spending time with our contractors during the site interviews. Although we agreed not to identify the SDA staff, Private Industry Council members, and local service providers who were interviewed for this report to maintain their anonymity, we owe them particular gratitude for allowing our contractors to obtain so much useful information from them about the way JTPA operates in their areas and the manner in which performance standards impact on their programs.

The Commission would like to acknowledge a very able expert panel who reviewed the initial design of the evaluation as well as made extensive, thoughtful comments on the final report. John Raisian of the Hoover Institute, Carl Simpson of Western Washington University, and John Wallace of the Manpower Demonstration Research Corporation spent numerous hours providing assistance both at the beginning and end of the project. Their comments were insightful and enabled the final product to be both technically sound and useful for both JTPA evaluators and practitioners.

Staff of the Department of Labor were very cooperative in ensuring that we had access to various data sources and in providing comments on the final report. Karen Greene and her staff within the Division of Adult and Youth Performance Standards deserve special thanks for their assistance.

Finally, special appreciation to the Pinellas County Private Industry Council in Clearwater, Florida for the use of their logo for the cover of this report.

Section A.
Introduction

I. Introduction and Goals of the Evaluation

Role of Performance Standards in the JTPA Title II-A Program

Performance standards are an integral part of the Job Training Partnership Act (JTPA) programs operated under Title II-A. The standards implemented during the first 5 years of program operation [Transition Year 1984 through Program Year 1987 (PY 87)] were intended to further a variety of Federal program priorities. These included

- To hold service delivery areas (SDAs) accountable for program outcomes,
- To encourage the achievement of quality employment outcomes,
- To encourage the achievement of cost-effective outcomes,
- To create an incentive for effective management by local program administrators, and
- To foster acceptance of the program by the business community.

The focus on accountability and the concern with outcome measures—rather than process measures—were new to employment and training programs. The performance standards grew out of the legislative goal of "measuring the return on the JTPA program investment" in terms of increases in the employment and earnings of economically disadvantaged individuals and reductions in welfare dependency. Although not intended to be an accurate measure of net program impacts, the performance standards are used to indicate the extent to which individual SDAs are managing their resources in order to achieve important program outcomes.

Starting in PY 88, several additional performance standards have been implemented, including measures of the participants' status 3 months after leaving the JTPA program. The new post-program standards are intended to provide greater emphasis on the objective of improving job retention and longer term employability of participants than do the current measures, which measure the immediate employment status of participants on leaving the program.

The Federal Role in Performance Standards

Although the performance standards are one expression of Federal goals for the JTPA programs, the performance-standards system has been carefully designed to minimize the day-to-day Federal role in local program direction and administration. The JTPA system is highly decentralized, enabling local Private Industry Councils (PICs) and SDAs to design programs relevant to the needs and employment opportunities in their local areas. In particular, the local agencies are given wide discretion in the types of program services provided and the types of clients served.

The Federal role in influencing the recruitment and selection of JTPA clients is limited to several requirements in the legislation: (1) at least 90% of the enrollees be economically disadvantaged, (2) recipients of Aid to Families with Dependent Children (AFDC) and high school dropouts receive an equitable share of JTPA services, and (3) 40% of all JTPA service dollars be expended for services to youth.

The Federal role in determining the types of program services provided is even more limited, allowing SDAs substantial discretion in designing their JTPA service mix. Although public service employment is not an allowable service and expenditures on supportive services are restricted (limiting the ability of SDAs to offer stipends to classroom training participants), a broad range of services is permitted by the JTPA legislation and Federal program regulations.

Consistent with the limited Federal role in designing the JTPA program, the intention of Federal performance-standards policies is to foster accountability and cost-effectiveness without undue influence on SDA design decisions. The Federal performance-standards policies include the choice of measures, the numerical level at which the standards are set, and the provision of optional models for adjusting standards.

Careful effort went into choosing Federal performance measures that would not constrain SDAs in their decisions about whom to serve and what services to offer. The numerical level of most Federal standards is set at a "minimally acceptable" level so that SDAs could generally meet their standards without distorting their program designs. The adjustment models developed for the Federal standards are intended to ensure the "neutrality" of the standards with respect to decisions about client targeting and to "hold harmless" SDAs that choose to serve more difficult clients through downward adjustments to the numerical levels of their standards.

The State Role in Performance Standards

States can play a very visible and important role in the JTPA program as a whole and in the performance-standards system in particular. Specifically, States are responsible for setting the levels of standards for SDAs. States decide whether or not to use the Department of Labor's (DOL) adjustment model to set SDA standards and make adjustments beyond the model to those standards. States may also develop and implement additional performance standards to further State program goals and priorities and may decide how to weight the different State and Federal standards in making incentive awards. States also determine what portion of the 6% funds will be used for technical assistance to SDAs, what portion will be used for incentive awards to SDAs that exceed the standards, and what portion will be used for incentives to serve the hard to serve. States determine whether the incentive awards will encourage performance that just exceeds the standard level or whether there will be a strong financial incentive for SDAs to perform at the highest level possible. Finally, States determine policies to sanction SDAs that fail to meet their standards.

Although the Federal performance-standards system was designed to encourage SDA discretion about who to serve and what services to offer, State governments are encouraged to use the performance-standards system to further State client and service priorities. Some States have welcomed the opportunity to take a leadership role in these areas, while other States have decided to play a less active role and defer to the preferences of local SDAs.

The SDA and PIC Role in Performance Standards

SDAs, with guidance from PICs, have the responsibility for actually implementing JTPA programs and for making major program design decisions about service and client mix. In making these decisions, SDAs try to balance the influence of local goals, their assessment of local conditions, the performance-standards incentives offered by the State, and the State and Federal program regulations. SDAs are also motivated to perform well on the performance standards for a number of reasons, including the desire to (1) run cost-effective programs that achieve high-quality outcomes, (2) appear to be accountable to local elected officials and private sector representatives on the PIC, (3) avoid reorganization as a consequence of failing to perform at acceptable levels for 2 years in succession, and (4) receive incentive awards.

SDA and PICs may respond to performance-standards incentives in three key areas of program design: (1) decisions about the types of clients to serve and procedures to recruit and enroll clients; (2) decisions about the types of services to provide and the length of those services; and (3) decisions about how to provide services, including the choices of service providers, type of contract, and contract terms.

Objectives of the Study and Key Policy Questions

The National Commission for Employment Policy (NCEP) has funded a comprehensive evaluation of several important issues, in keeping with its legislative mandate to advise the Secretary of Labor on the development of the JTPA performance standards and to evaluate the impact of standards on the choice of who is served, what services are provided, and the cost of such services at the local SDA level (Section 106 (f)). The overall goal of the study is to assess whether the performance standards have influenced SDA and service provider decisions about program design and implementation practices in ways that have affected the clients served, the types of services provided, and the costs of the services.

The study is not a detailed assessment of whether the performance standards have resulted in an increase in JTPA program productivity and cost-effectiveness. Rather, the study's purpose is to test whether the incentives created by the performance-standards system have caused SDAs to emphasize measured performance objectives at the expense of unmeasured or unrewarded objectives that are also valued. In particular, the goal is to determine whether emphasis on the performance standards as a vehicle for program management has led SDAs to avoid serving more difficult clients or to reduce the intensity of services offered, which in turn may have affected the types of participants who could benefit from the program.

The evaluation was intended both to determine the effects of performance-standards policies and to investigate how those effects come about. Thus, the evaluation was designed to meet several goals. First, the study was designed to assess the effect of the overall Federal performance-standards system on SDA and service-provider behavior. Our examination of the Federal performance-standards system distinguished among the effects of (1) the kinds of performance measures selected, (2) the level at which performance expectations were set, and (3) the adequacy of the adjustment model in holding SDAs "harmless" for their client and service choices.

Second, the study was designed to assess how various State performance-standards policies and procedures have affected SDA and service-provider behavior and how these effects have influenced the clients served, the services provided, and the costs of the services. This evaluation distinguished the effects of several aspects of State policies, including (1) choices about procedures to adjust standards, (2) policies for serving hard-to-serve clients, and (3) policies for awarding incentives for good performance and sanctioning for poor performance.

When we found evidence that performance standards did appear to be influencing the clients, services, or costs, the study was designed to explore how and why those influences occurred and whether the influences were intended (e.g., causing SDAs to serve hard-to-serve clients and to offer services that will make a difference in the long run) or unintended (for example, causing SDAs to serve fewer hard-to-serve clients or to offer less intensive services).

Finally, the study was designed to generate suggestions for refining the performance-standards system so that any undesirable impacts of performance standards can be prevented in the future.

Overview of the Evaluation Design

This evaluation was composed of two components. The first was a quantitative analysis of the effects of State and local policies using the sample of all States and SDAs. This analysis provided objective, statistical evidence of the impacts of State performance-standards policies for the system as a whole. The quantitative evaluation examined whether differences in policies that SDAs face are associated with differences in the types of clients served, the services provided, or the programs' costs. The quantitative analysis could not, however, provide evidence about the effects of Federal performance-standards policies, which do not vary among SDAs. Furthermore, why specific effects occurred is difficult to determine from a quantitative analysis.

Thus, the second component of the evaluation was a qualitative evaluation, based on indepth case studies that included extensive onsite interviews and observations. The purpose of this component was to determine the impact of Federal performance-standards policies and to determine why State, SDAs, and service providers have reacted to elements of the performance-standards system. This qualitative evaluation was based on a sample of 30 SDAs and 87 service providers in 8 States. Although necessarily limited in number, these agencies were chosen to be as representative as possible of the JTPA system as a whole.

Organization of the Report

The next chapter presents the conceptual framework that guided the evaluation, including the hypothesized relationships between performance-standards policies and clients, services, and costs. Chapter III describes the Federal and State performance-standards policies that were evaluated.

Section B presents the quantitative evaluation of the effects of performance standards that was based on surveys of all States and SDAs. Chapter IV presents the design of the quantitative component. Chapter V presents the impacts of State performance-standards policies and SDA practices on the types of clients served in JTPA programs. Chapter VI examines the impact of policies and procedures on the types of services offered and the costs of those services.

Section C contains the results of the qualitative analysis. Chapter VII describes the design of the qualitative component. Because the response to performance standards varied, Chapter VIII introduces the qualitative results by describing several typologies of SDAs' reactions to performance standards. Chapter IX presents case study results on how performance standards affected the SDAs' goals about whom to serve in JTPA programs. Chapter X describes performance standards' influence on how SDAs designed their service mix and program intensity and the factors that influenced program costs. Chapter XI presents the impacts of performance standards on SDA management practices, including the division of responsibilities between SDAs and service providers, the choice of providers, and the contractual arrangements. The qualitative analysis concludes with a description of SDAs' opinions of various aspects of the performance-standards system, presented in Chapter XII.

Section D presents a summary and conclusions of the quantitative and qualitative analyses in Chapter XIII and the implications for the performance-standards system in Chapter XIV.

II. Conceptual Framework of the Evaluation

This evaluation is based on a conceptual framework that indicates the relationship among the various aspects of the JTPA program and specifies hypotheses that will be tested. This framework indicates not only that performance standards may affect the types of clients served, the types and length of services provided, and the cost of JTPA Title II-A programs, it also specifies several other relationships. This broader view is necessary for several reasons. First, the performance-standards system has several different dimensions, each of which may have a different effect on JTPA outcomes. Second, numerous elements of Federal, State, and SDA policies are also likely to influence clients, services, and costs. Some of these elements are mechanisms through which performance standards affect program outcomes. Other elements are confounding factors that are not related to the performance-standards system, but nevertheless influence clients, services, and cost, and thus must be controlled in the evaluation. The conceptual framework is summarized in Figure 1.

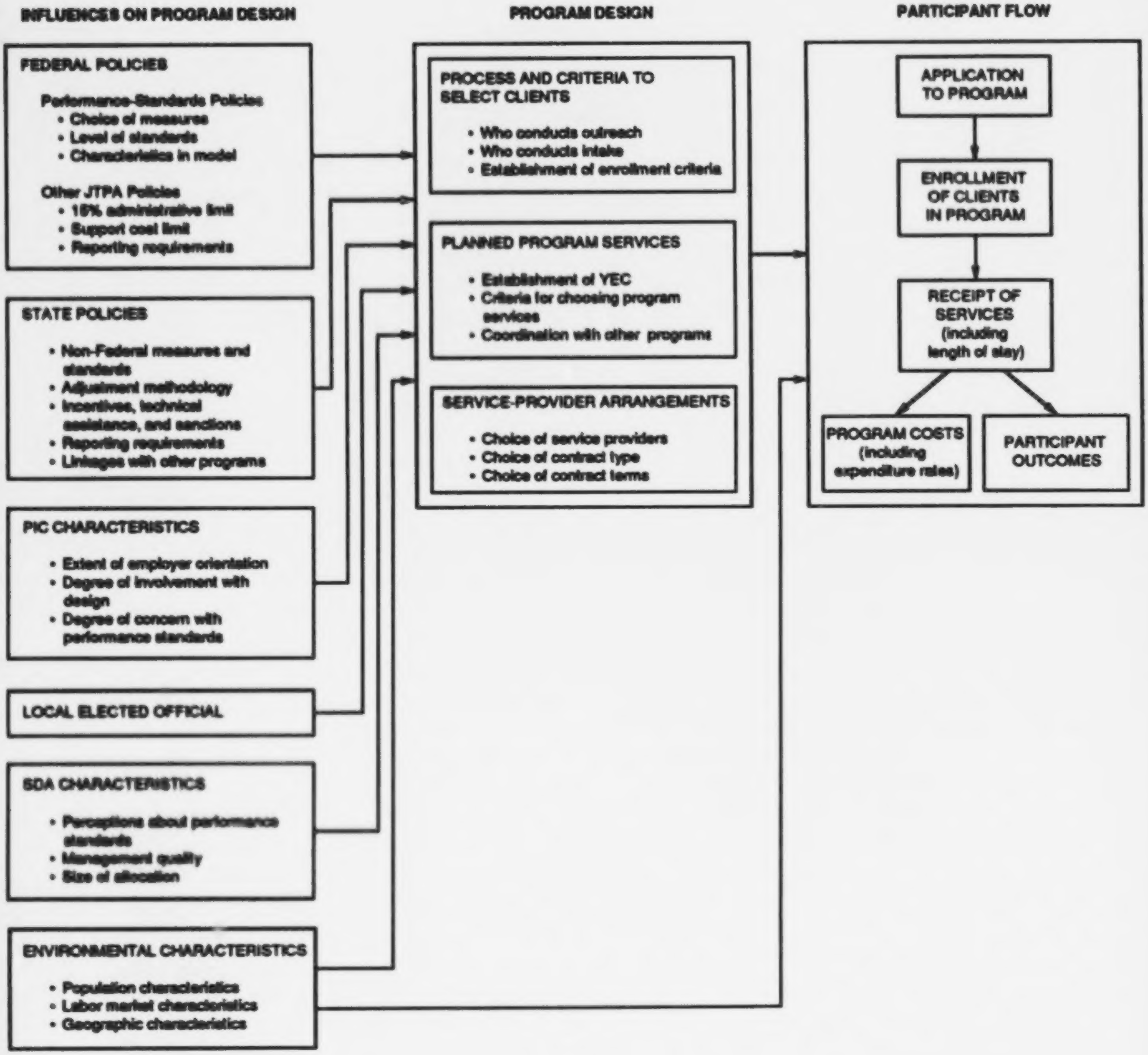
Participant Flow

The right column in Figure 1 represents the flow of individuals through the program. First, individuals decide to apply to the program, in part on the basis of their knowledge of the program and their own assessment of the likely benefits of the program relative to those of alternative actions available to them. A subset of applicants are selected for enrollment, either by the program (or its service providers) or by the applicants themselves. The clients enrolled in the program then receive specific types of services for various lengths of time. As a result, participating clients experience certain outcomes, such as finding a job or earning a certain wage rate, and the program incurs costs. Thus, this column contains the dependent variables of the study: the enrollment of client groups, the types and length of services provided, and the costs of various services.

Program Design

The middle column in Figure 1 describes the elements of each SDA's JTPA program

Figure 1 CONCEPTUAL FRAMEWORK FOR ANALYZING THE IMPACTS OF JTPA PERFORMANCE STANDARDS ON CLIENTS, SERVICES, AND COSTS


INFLUENCES ON PROGRAM DESIGN
PROGRAM DESIGN
PARTICIPANT FLOW
FEDERAL POLICIES
Performance-Standards Policies
• Choice of measures
• Level of standards
• Characteristics in model
Other JTPA Policies
• 15% administrative limit
• Support cost limit
• Reporting requirements
STATE POLICIES
• Non-Federal measures and standards
• Adjustment methodology
• Incentives, technical assistance, and sanctions
• Reporting requirements
• Linkages with other programs
PIC CHARACTERISTICS
• Extent of employer orientation
• Degree of involvement with design
• Degree of concern with performance standards
LOCAL ELECTED OFFICIAL
SDA CHARACTERISTICS
• Perceptions about performance standards
• Management quality
• Size of allocation
ENVIRONMENTAL CHARACTERISTICS
• Population characteristics
• Labor market characteristics
• Geographic characteristics
PROCESS AND CRITERIA TO SELECT CLIENTS
• Who conducts outreach
• Who conducts intake
• Establishment of enrollment criteria
PLANNED PROGRAM SERVICES
• Establishment of YEC
• Criteria for choosing program services
• Coordination with other programs
SERVICE-PROVIDER ARRANGEMENTS
• Choice of service providers
• Choice of contract type
• Choice of contract terms
APPLICATION TO PROGRAM
ENROLLMENT OF CLIENTS IN PROGRAM
RECEIPT OF SERVICES (including length of stay)
PROGRAM COSTS (including expenditure rates)
PARTICIPANT OUTCOMES

design hypothesized to influence clients, services, and costs. Program-design elements are important mechanisms through which performance standards, as well as other confounding factors, affect program outcomes.

One important design element is the process and criteria used by an SDA to select clients for JTPA. SDAs have considerable discretion in choosing clients, although they are constrained by the legislated requirements that 90% of the enrollees must be disadvantaged and that 40% of the expenditures must be on youth programs. SDAs may establish specific criteria for client selection. For example, they may establish "equity-of-service" goals to ensure enrollment of those most in need of services; other SDAs may have established testing to ensure enrollment of participants with specific skill levels. In addition, the process by which clients are selected can also influence the types of clients served. Some SDAs conduct their own outreach and intake programs, which may result in greater SDA control over client selection. Other SDAs choose to have their service providers conduct outreach and intake. As a result, service providers' own preferences and the incentives created by contractual arrangements may have a strong influence on who is enrolled.

Another important design element is the planned mix of program services. These planned services are also affected by JTPA legislation: the program has a greater emphasis on training than was the case under the Comprehensive Employment and Training Act (CETA), public service employment is not included in JTPA programs, and training stipends are rarely available because of limitations on support costs. Generally, SDAs design a mix of services that includes classroom training in occupational skills, basic skills remediation, on-the-job training (OJT), job-search assistance, and a limited amount of work experience.

SDAs can choose a mix of services to focus on the needs of local employers, on the needs of individuals applying to the program, or on some combination of these needs. Furthermore, in designing youth programs, SDAs can choose services aimed at out-of-school youth, for whom employment is the more appropriate outcome, or at in-school youth, for whom other outcomes are more appropriate, such as attainment of youth employment competencies (YECs). As part of the JTPA legislation, PICs are responsible for approving YEC systems that reflect local needs for entry-level employment skills. PICs may choose to develop youth competencies in three areas: pre-employment work maturity/skills, basic education, and job-specific skills. The SDAs design programs aimed at achieving the various competencies approved by their PICs.

The planned mix of services can affect several aspects of the participant flow. Most directly, the planned program mix affects the types of services actually received by clients and the costs of those services. The planned program mix may also influence the types of individuals who apply to JTPA programs. For example, those who have no alternative sources of income (for example, neither welfare nor family support) may be less likely to apply to JTPA programs than they were to CETA because they have an immediate need for employment income; in-school youth are less likely to apply to SDAs that offer only employment-oriented programs to youth. Program mix is also likely to affect the types of clients enrolled in JTPA programs. If an SDA chooses employer-oriented programs, for example, it may be more likely to enroll job-ready applicants, particularly in OJT programs for which employers may make the decision of whom to enroll.

The third element of program design involves the arrangements for the provision of services, including the choice of specific service providers, the types of contracts used, and the terms of those contracts. The major categories of service providers include public schools, community-based organizations (CBOs), other nonprofit organizations, and profit-making organizations. The choice of service providers may affect all outcomes of interest to this evaluation. Service providers can have a strong influence on who is enrolled, particularly in SDAs in which providers conduct intake activities. CBOs, for example, are more likely to see their goal as serving the disadvantaged, particularly the groups they represent, while profit-making organizations may see their goal as finding the best workers for employers. Because of these differences in orientation, the type of service provider may also affect the length of services provided and, therefore, the cost of services.

The type of contract may also have a substantial impact on clients, services, and costs. Performance-based contracts are widely used in JTPA programs. Under these contracts, providers are paid a fixed amount for each participant that is placed in a job after termination. Some SDAs make intermediate payments for participants that achieve specified outcomes, such as completion of training, but the provider does not receive full payment unless the participant is placed. Furthermore, the provider gets paid the same amount for each individual it places, regardless of how long the individual participated in the program or how many training resources were devoted to the individual.

The use of performance-based contracts may influence the types of individuals enrolled in the program. If the service providers conduct intake, they may have an incentive to choose the most job-ready individuals because they will need to expend fewer resources and have a higher probability of receiving full payment by placing such individuals. The use of performance-based contracts may also affect the types of services provided. For example, performance-based contracts may reduce the length of stay in the program because the provider has an incentive to place individuals as soon as they are employable, rather than provide longer term services that might lead to higher quality placements.

The terms of performance-based contracts also affect the incentives of service providers. Contracts may vary in the type of placement outcome for which full payment is received (e.g., 30-day retention, initial placement), the fraction of payment that is reserved for termination outcomes, and the wage rates required. Some SDAs pay an additional lump sum if a specific placement rate is attained.

These contract terms may influence clients, services, and costs. For example, higher wage rate goals may increase incentives to enroll more employable clients but may also increase incentives to provide longer training. Reserving a large fraction of payment for placement and paying an additional amount for meeting a placement goal may intensify the incentives to enroll the most job-ready individuals and to provide the minimum training to achieve the outcome.

Influences on Program Design

The left column in Figure 1 indicates the factors that may influence JTPA program design. This column contains the major independent variables of this evaluation: Federal and State aspects of the performance-standards system. The column also contains confounding factors that must be controlled for in the evaluation, including other Federal and State policies, the characteristics of local agencies, including the PIC and the local elected officials involved in the JTPA program, and characteristics of the local environment.

Federal Policies

The performance-standards system is a key element of Federal policy hypothesized to influence the design of JTPA programs. Three distinct aspects of Federal policy should be distinguished: the choice of performance measures, the numerical level at which the standards are set, and the choice of variables included in the optional adjustment model.

The Federal performance-standards system is intended to be neutral with respect to client mix. This goal is to be accomplished through the use of regression-based adjustment models, which adjust SDA performance standards according to the average national experience in serving various types of clients in various economic conditions. Thus, the intended effect of these models is that SDAs are "held harmless" for their decisions about whom to serve for those characteristics included in the model.

Although the intent is to make the standards neutral with respect to client mix, the Federal standards may have an unintended impact on client selection criteria for several reasons. First, the adjustment models account for important measurable characteristics, such as race, sex, education, and receipt of welfare, but within these categories of clients, SDAs may have an incentive to choose the most job-ready candidates. For example, among school dropouts, SDAs may choose those who are highly motivated to seek employment, who have the best appearance, or who do not have other barriers to employment, such as a criminal record. Furthermore, the adjustment models, which represent average national experience, may not appropriately adjust for client characteristics for certain types of SDAs.

Second, the specific mix of standards may influence client-selection criteria. For example, the youth performance standards include both an entered-employment-rate standard and a positive-termination-rate standard, reflecting the fact that JTPA youth programs have multiple goals. This combination may affect client mix, however, because SDAs can more easily meet their entered-employment-rate standard by enrolling out-of-school youth, while they can more easily meet their positive-termination-rate standard by enrolling in-school youth because "completed major level of education" is counted as a positive termination. As a result, possibly only SDAs that enroll a substantial number of both types of youth can meet all of their youth standards.

Third, the level of standards may affect the types of clients enrolled. If the standards are set high so that SDAs cannot meet their standards without substantially altering their behavior, then they may be particularly likely to select clients who appear to be most job ready on the basis of characteristics not included in the model. To avoid this problem, the level of standards was set in PY 86 to reflect a minimally acceptable level of performance (that is, the 25th percentile of expected performance) rather than to reflect an average level of expected performance. Nonetheless, the question remains whether this level of performance is still too high to eliminate the incentive to enroll the most job-ready individuals.

Performance standards are also hypothesized to affect planned program mix. Performance standards are intended to guide SDAs to choose adult programs that are employment oriented (by means of the entered-employment-rate standard), that train clients for high-quality jobs (by means of the wage-at-placement standard), and that are cost-effective (by means of the cost-per-entered-employment standard). With respect to youth programs, performance standards are intended to allow SDAs to provide an appropriate combination of employment-related programs (by means of the entered-employment-rate standard) or other-outcome-oriented programs (by means of the positive-termination-rate standard). In either case, the programs are intended to be cost-effective (by means of the cost-per-positive-termination standard).

In addition to these intended effects,

however, performance standards may have unintended impacts on planned program mix. Because the employment measure is termination based, SDAs may be induced to provide programs with immediate employment as the goal, such as job-search assistance. SDAs may be reluctant to provide programs that retrain clients for new occupations because terminees may take longer to find jobs in new occupations. The level of standards may also affect program mix if the cost-per-entered-employment standard is so low that more intensive interventions are not feasible.

Performance standards may also affect service-provider arrangements. The intent of the performance-standards system is to provide incentives for SDAs to choose effective service providers and to use cost-minimizing contracting arrangements to achieve a given level of participant performance. However, performance standards also may have made SDAs more conservative and averse to risks when making service-provider decisions. For example, PICs may be more likely to fund traditional service providers and less willing to fund innovative programs because they are less sure that performance of new providers would be high enough to allow the SDA to meet its standards.

In addition to the Federal performance-standards system, other Federal JTPA policies are likely to have important influences on program design. In particular, the JTPA legislation restricts the administrative costs to 15% and the total of support costs and administrative costs to 30% of expenditures. The administrative limit is likely to create a strong incentive for SDAs to use performance-based contracts because the total costs of such contracts can be counted as training costs.

The limit on support costs and work experience can also affect program design. This limitation most directly affects the types of services offered, limiting work-experience programs and support services offered to participants. Support cost limitations may also limit the clients' willingness to participate in long-term classroom training without any income support. These restrictions may also influence service-provider arrangements, particularly insofar as support services can be included under a performance-based contract and thus can be counted as training costs.

Federal JTPA reporting requirements may also affect clients, services, and costs. The JTPA Annual Status Report (JASR) requires SDAs to report the number of adult, welfare, and youth terminees that have various characteristics, as well as the number achieving performance-standard outcomes. The presence of a client characteristic on the JASR, regardless of whether the characteristic is included in the adjustment model, has been suggested to encourage SDAs to increase service to that group. The fact that type of service is not included in the JASR may reinforce SDAs' discretion to design services appropriate to local needs. Furthermore, if Federal reporting requirements impose a record-keeping burden on SDAs, they may increase the costs of the program.

Furthermore, in PY 86, DOL initiated post-program data collection requirements that will support post-program standards beginning in PY 88. This data collection effort can be funded from State 6% funds for the first 2 years, but unless the legislation is amended further, it will be funded from the State administrative funds or SDAs' allocations in the future. It will be important, therefore, to assess the impact of these additional data collection costs on clients, services, and costs.

State Policies

State policies can also have an important influence on JTPA program design. State policies explicitly related to performance standards include the addition of State standards to the Federal standards, the choice of whether to use the Federal adjustment model, the allowance of adjustments beyond the model, and the policies for incentives, technical assistance, and sanctions.

Several States have adopted additional performance standards, including post-program standards and "equity-of-service" standards, that specify groups to be served in proportion to their incidence in the eligible population. These additional standards can potentially affect all the elements of program design. For example, equity-of-service standards may increase service to more disadvantaged groups, whereas post-program standards may create incentives to enroll more job-ready applicants. The additional standards may influence the types of services offered. For example, post-program standards may increase length of stay because SDAs may need to provide more intensive services. Additional standards may also influence the choice of service providers. For example, equity-of-service standards may increase the use of CBOs as service providers because of their commitment to serving more disadvantaged individuals.

The procedures whereby States adjust SDAs' standards are also likely to affect program design. The Federal adjustment model is designed to hold SDAs harmless for their choice of clients to serve. States that do not use this model or a similar adjustment procedure are likely to increase the incentives for SDAs to serve the more job-ready candidates. In addition, States may also make adjustments beyond the model, most commonly for serving the hard to serve or for providing longer term program services.

States' policies for distributing 6% incentive payments may also affect JTPA design decisions. There are numerous dimensions to these incentive policies. For example, these policies may emphasize high performance by requiring that many standards be met to qualify for incentives, by providing little payment for meeting and more payment based on the extent to which standards are exceeded, by having SDAs compete for funds, or by giving bonuses for extraordinary performance. These policies may strengthen any incentives to enroll the less hard to serve. On the other hand, States may use incentive payments to encourage service to the hard to serve by requiring that 6% funds be used for the hard to serve, by setting aside a pool of 6% funds that SDAs bid on for serving the hard to serve, or by exempting 6% funds from performance standards if they are used for the hard to serve.

In addition to State performance-standards policies, other State policies may affect JTPA design. In several States, for example, the JTPA program has been linked to work-welfare programs, designed to increase the employability of welfare recipients. As a result, SDAs in those States may face strong pressure to enroll more welfare recipients and to focus program services on the needs of these individuals, particularly for basic skills training.

States may also affect program design by encouraging coordination between JTPA and other State programs, such as educational programs or welfare programs. These linkages are likely to be particularly influential if SDAs can combine JTPA funds with funds from other programs. States can also provide statewide management information systems that allow SDAs to monitor their performance; this ability is hypothesized to accentuate the incentives created by the performance-standards system.

Local Agencies

Local factors may also influence JTPA program design. A key element that distinguishes JTPA programs from CETA is the PICs' involvement in the design and administration of JTPA programs in each local area. The PICs' role is intended to assist JTPA programs in better serving the needs of employers and to guide the program away from a purely social service orientation. In many SDAs, PICs make important decisions about all aspects of program design, including choices about clients, services, service providers, and types of contracting arrangements.

The extent of PIC involvement varies greatly. Some PICs are the administrative entity of the local program and, therefore, may exert more control over the program. Furthermore, the influence that a PIC exerts on program design depends on the PICs' orientation toward serving local employers' needs compared with serving the needs of the disadvantaged in the area. The PICs may also accentuate the effects of performance standards if their members see meeting those standards and receiving incentive awards as a very important goal.

The other member of the JTPA partnership is a local elected official, usually a county or city leader. As with the PICs, the influence of local elected officials depends on the extent of their involvement in the JTPA program, their orientation toward the needs of employers and participants, and the importance that they place on performance standards.

Finally, characteristics of the SDA and its staff are likely to influence program design. First, SDAs that were prime sponsors under CETA may be less responsive to the new incentives and directions of the JTPA program. As a result, these SDAs may be less likely to respond to performance standards in choosing client selection criteria, service mix, and service providers.

Second, the size of the SDA can affect how much control the SDA retains over the design and operation of program elements and can also influence the size of the incentive awards the SDA can receive for good performance.

The third SDA characteristic that may influence JTPA design is the staff's perceptions about the meaning and requirements of performance standards and the adjustment model. In talking with JTPA administrators in training conferences, we have found two types of misconceptions about the model. First, some administrators believe that SDAs should serve client groups that have positive coefficients in the model because such coefficients indicate that JTPA programs are more effective for those client groups. Second, some administrators believe that SDAs should serve client groups with negative coefficients in the model because they believe that doing so will make their standards easier to meet. Several public interest groups have conducted extensive training in performance-standard issues to reduce misperceptions. An important element of this evaluation, therefore, is to assess the need for more technical assistance in performance-standards issues.

A fourth SDA characteristic that is likely to influence program design is the quality of management. SDAs that are well managed are more likely to design and implement the type of program that is most appropriate for local needs and meet their performance standards as well. In contrast, poorly managed SDAs may find it difficult to meet performance standards without substantially altering the design of the program, perhaps by choosing the most job-ready applicants and providing short-term, "quick-fix" training. The quality of management may therefore be an important characteristic that interacts with the effects of performance standards.

Local Environment

The final set of factors that can influence the design of JTPA programs is the characteristics of the local environment. The characteristics of the eligible population and of the local labor market are likely to affect the types of individuals who apply to the program, the criteria used to select clients, and the types of programs deemed appropriate for local needs. Furthermore, geographic characteristics (for example, rural locations) are likely to influence the ability of SDAs to provide specialized services and to limit the types of service providers available.

Unlike the other factors hypothesized to influence program design, local environmental factors are likely to affect clients, services, and costs *directly*, regardless of their influence on program design. The characteristics of the eligible population will clearly influence who applies to and enrolls in the program. Local areas with higher unemployment may have more job-ready applicants who may also stay longer in the program. Program costs may be higher in rural areas because of transportation problems. Thus, local environmental factors are potential confounding variables that must be controlled for in the evaluation.

III. Federal and State Performance-Standards Policies

Introduction

This chapter presents an overview of the Federal and State performance-standards policies evaluated in this study. We describe the legislative requirements, the policies in effect for PY 86, and the intention of these policies, as gathered from interviews with Federal and State staff. We found a great deal of variation in State policies and, therefore, present the number of States with different types of policies.

Federal Policies

The Federal role in the performance-standards system is to choose performance-standards measures, to set the level of performance standards, and to establish parameters within which standards can be adjusted, including the provision of optional models to adjust SDAs' performance standards. The following section describes the legislative requirements for these three areas, the Federal policies for PY 86, and how these policies have changed over time.

Choice of Measures

The JTPA legislation calls for the Secretary of Labor to prescribe performance standards to measure the increase in employment and earnings and the reduction in welfare dependency resulting from participation in the program. For adults, the legislation states that the measures "may include (A) placement in unsubsidized employment, (B) retention in unsubsidized employment, (C) increase in earnings, including hourly wages, and (D) reduction in the number of individuals and families receiving cash welfare payments and amounts of such payments." The legislation also states that the Secretary "shall prescribe performance standards relating gross program expenditures to various performance measures."

From the beginning of JTPA through PY 87, there have been four adult performance measures: the entered-employment rate for all adults, the entered-employment rate for adults receiving welfare at enrollment, the average wage rate at placement, and the cost per entered employment.

DOL chose the level of wage rates rather than the change in wage rates because most JTPA participants were not working at enrollment and, in fact, nearly half had been unemployed 15 weeks or more before enrollment. Thus, DOL concluded it was too difficult to measure accurately a pre-enrollment wage rate for JTPA participants. DOL investigated the feasibility of an explicit welfare-reduction measure, but State variability in both AFDC and general assistance eligibility rules and benefit levels made such a measure incomparable across States. Because the reduction in welfare was caused by increased employment, the percentage of welfare recipients that entered employment was chosen as a measure of welfare reduction.

Although DOL initially requested collection of data on participants' employment status 3 months after termination, such data collection was turned down by the Office of Management and Budget (OMB). Beginning in PY 86, however, States and SDAs began to collect this information. In PY 88, DOL added four post-program measures: the percentage of all adults who are employed 13 weeks after termination, the percentage of adults receiving welfare at enrollment who are employed 13 weeks after termination, the average number of weeks worked by all adults in the 13 weeks after termination, and the average weekly earnings of adults employed in the 13th week.

The legislation also addresses youth performance measures and states that "the Secretary shall also designate factors for evaluating the performance of youth programs, which ... shall be (A) attainment of recognized employment competencies recognized by the private industry council, (B) elementary, secondary, and postsecondary school completion, and (C) enrollment in other training programs or apprenticeships, or enlistment in the Armed Forces" in addition to appropriate measures listed for adults.

Again since the beginning of JTPA, DOL has prescribed three youth performance measures: entered-employment rate, positive-termination rate, and cost per positive termination. A positive termination is defined as entering employment, the three factors listed above, returning to full-time school, and for 14- to 15-year-olds only, completing program objectives.

DOL has become increasingly concerned about the problems of youth illiteracy and lack of other basic educational skills. Thus, beginning in PY 88, DOL added a fourth youth performance measure, employability enhancement. This measure is similar to positive termination except that entered employment is not counted as an employability enhancement. The intention of this additional measure is to encourage SDAs to address the barriers that youth face in attaining quality employment, in addition to finding them immediate employment. Furthermore, beginning in PY 89, SDAs can claim attainment of youth employment competencies only if participants attain competency in at least two of three areas: pre-employment/work maturity skills, basic educational skills, and occupation-specific skills. The intention of this policy is to encourage SDAs to address the multiple barriers to employment that face many youth.

Because of these changes for PY 88, there will be 12 Federal performance standards instead of the 7 used previously. To avoid burdening the system, DOL has directed States to choose eight of these standards.

Numerical Level of Standards

The Secretary also sets the numerical level of the performance standards. In fact, there are two separate choices in levels: the levels of the national standards and the levels from which SDAs' standards are adjusted in the optional adjustment models. The national standards represent the performance goals for the JTPA system as a whole. The levels used in the adjustment models, called departure points, represent the average model-adjusted standards. Because the departure points and the national standards serve different functions, their values need not be identical.

Originally, the performance levels for JTPA programs were based on the average level of performance in CETA, under the assumption that JTPA programs would perform at least that well. DOL decided, however, not to set performance standards at the average performance for the JTPA program. Doing so would mean that half the SDAs would be expected to fail their standards, and below average performance was not necessarily failure. Furthermore, it was feared that setting performance standards at a high level would place too much emphasis on performance at the expense of other program goals.

Beginning in PY 86, therefore, JTPA departure points were set at the 25th percentile of past performance relative to adjusted standards, a level that represented minimally acceptable performance. The national standards were also set at the 25th percentile for five of the seven measures. The national standard for the wage rate was set at a higher level to indicate that the goal of the program is to train participants for jobs that pay well, and the national standard for the youth cost standard was set at a more lenient level to emphasize that cost considerations should not prevent providing needed services to youth. The departure points and national standards for PY 86 are presented in Table 1.

For PY 88, DOL is continuing the policy of setting the national performance standards and departure points at the 25th percentile with two major exceptions. In response to concerns that the mandated cost standards were reducing the intensity of JTPA services, DOL set both the adult and youth cost standards at levels considerably more lenient (at approximately the 5th to 1st percentiles, respectively) to provide a signal to the system that the cost standard should not inhibit the local decision about the intensity of services. To emphasize the importance of obtaining quality jobs, the wage-at-placement standard was set at a higher level.

Adjustment Parameters and Optional Adjustment Models

The JTPA legislation states that "Each Governor may prescribe, within parameters established by the Secretary, variations in the standards ... based upon specific economic, geographic, and demographic factors in the State and in service delivery areas within the State, the characteristics of the population to be served, and the type of services to be provided." To facilitate this process, the Secretary has issued parameters for adjustment procedures and optional adjustment models for the standards that meet these parameters.

DOL's adjustment parameters were qualitative rather than quantitative to give Governors considerable flexibility in setting SDAs' standards. The qualitative parameters require that procedures for adjusting performance standards must be

- Responsive to the intent of the JTPA legislation,
- Consistently applied among SDAs,
- Objective and equitable throughout the State, and
- In conformance with widely accepted statistical criteria.

Source data must be

- Of public use quality and
- Available upon request.

Results must be

- Documented clearly and
- Reproducible.

Adjustment factors must be limited to

- Economic factors,
- Labor market conditions,

Table 1

Level of National Standards and Departure Points for PY 86

	Departure Point	National Standard
Adults		
Entered-employment rate	62.4%	62%
Wage at placement	$4.64	$4.91
Cost per entered employment	$4,374	$4,374
Welfare		
Entered-employment rate	51.3%	51%
Youth		
Entered-employment rate	43.3%	43%
Positive-termination rate	74.8%	75%
Cost per positive termination	$3,711	$4,900

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- Characteristics of the population to be served,
- Geographic factors, and
- Types of services to be provided.

DOL's optional adjustment models conform to these parameters. The optional adjustment models are based on an analysis of the relationship between variation in the performance of SDAs and variation in the types of clients served and in local economic conditions. The adjustment models indicate how much performance is affected by these factors and adjusts the performance standards of the SDA accordingly.

The models are based on JTPA data on performance and the characteristics of clients served, as reported in the JASR. Thus, the client groups for which adjustments can be made are restricted to those groups reported on this form. DOL has gradually added new client groups, but OMB is concerned about reporting burden and in the past has turned down many requested items. Beginning in PY 88, however, SDAs will report the number of terminees with below 7th grade reading level and those receiving AFDC for 2 or more years. Client characteristics included in the PY 86 adjustment models are presented in Table 2.

Local economic conditions are calculated for each SDA using data from Census or the Bureau of Labor Statistics (BLS). The economic conditions included in the PY 86 models are also included in Table 2.

For several reasons, the DOL adjustment models do not adjust for differences in the types of services offered. First, it was felt that the provision of appropriate services was an important management decision for which SDAs should not be held harmless in the adjustment process. Second, there is no uniform definition of types of services, and there was a concern that imposing Federal uniformity might reduce local flexibility in program design. Third, there is no information on the JASR to make such adjustments.

Because of DOL's increased concern about the intensity of services offered in JTPA programs, consideration was given to adding some adjustment for the provision of basic skills training, particularly to the cost standards. DOL did not request the addition of the percentage of terminees receiving basic skills training for the most recent JASR revision, however, in part because no data were available to document that SDAs that provide this type of training perform less well on the cost standards. The data set gathered for this study is the first that contains data on both costs and program services to examine these relationships.

DOL also issues a tolerance range for each performance measure that represents the average amount of imprecision in the models. DOL considers any additional adjustments made within the upper and lower bounds of the tolerance range to meet the Secretary's parameters. States have used the tolerance range in a variety of ways, as described in the next section.

In addition to the adjustment models, DOL also has provided a technical assistance guide that describes valid procedures for making adjustments for client characteristics not included in the model, for special programs, and/or for SDAs facing extreme circumstances. DOL has encouraged States to establish policies for "adjustments beyond the model." Furthermore, several training sessions have also presented these adjustment procedures to State and SDA staff.

State Performance-Standards Policies

The JTPA legislation and regulations specify important roles for States in the performance-standards system. States may specify additional performance measures, set standards for SDAs, establish policies to award incentive funds to SDAs with good performance, and sanction SDAs with poor

Table 2

Local Characteristics Included in PY 86 Adjustment Models

	Adult Models	Youth Models
Terminee characteristics	% Female	% Female
	% 55 years & over	% 14 - 15 years
	% Black	% 18 - 21 years
	% Hispanic	% Black
	% Alaskan Native/American Indian	% Hispanic
	% Asian/Pacific Islander	% Alaskan Native/American Indian
	% Dropout	% Asian/Pacific Islander
	% Handicapped	% Dropout
	% UC claimant	% Student
	% Welfare recipient at entry	% High school graduate
	Average weeks participated	% Post high school attendee
		% Handicapped
		% Offender
		% Welfare recipient at entry
		Average weeks participated
Local economic conditions	Average wage for area ($1000's)	Average wage for area ($1000's)
	Unemployment rate	Unemployment rate
	% Families below poverty level	
	Population density (1000's/sq.mi.)	

Note: Some characteristics are not included in all models.

performance.

In addition, many States have established policies for serving hard-to-serve groups, and some of these policies involve performance-standards mechanisms. In this section, we present the variation in State policies that we found from our policy review and discuss the intentions of these policies as reported in our site visits to the eight States in the qualitative study.

State Performance Measures

Eighteen States adopted additional performance standards for PY 86.* Table 3 presents the types of State standards used. Seven States had established post-program standards for PY 86, 2 years before post-program standards were included in the Federal measures. Six of the States used a measure of employment at follow-up, although earnings at follow-up, weeks worked, and welfare follow-up employment rates were also adopted. All of these measures are included as Federal measures for PY 88.

Nine States adopted performance standards intended to encourage service to hard-to-serve groups, including welfare recipients, dropouts, minorities, women, handicapped, and older workers. In all cases, these standards were for a required level of service to these groups, although some States had required placement rates for these hard-to-serve groups as well.

Two States added adult termination-based measures, the gain in wage rates and an entered-employment rate for training activities. Two other States extended the Federal adult termination-based measures to youth; one required a youth wage-rate standard and the other a cost-per-entered-employment standard. One State used JTPA performance standards to further economic development activities, and another established a standard for coordination with other social service agencies.

Two States established performance standards based on the percentage of the SDAs' allocation expended. As discussed below, several other States incorporated expenditure rate requirements into the calculation of incentive payments as an alternative to establishing a standard for this requirement.

Among the eight States in our case study sample, four had adopted State standards (or policies that functioned as standards) for PY 86 and another had added a State standard for at-risk youth for PY 87. One case study State took a very active stance in using the standards to further its goals. To reduce reliance on direct placement services, this State adopted a separate standard for the placement rate for training activities; to reduce the tension in the youth standards, it set separate positive-termination-rate and entered-employment-rate standards for employment-oriented and remediation-oriented programs; to encourage service to specific groups, it awarded 30% of its incentive payments based on service to dropouts and minorities.

Another State established a standard for linkages with other agencies, a direct outgrowth of the Governor's concern to reduce duplication of services. In PY 88, this State will also adopt a standard based on service to hard-to-serve welfare recipients, again in direct response to the Governor's priorities. Another State in the case study also awarded incentives based on service to hard-to-serve groups.

The fourth State established a standard related to adult and youth expenditure rates and enrollment rates to focus effort on compliance more than performance. A fifth State also incorporated expenditure rates into the calculation of incentive awards but did not establish a separate standard.

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*In some cases these goals were not explicitly called standards, but a proportion of incentive funds was awarded based on whether SDAs met goals and thus the goals functioned as standards.

Table 3

Types of Additional State Performance Standards

	Number of States
Post-program standards	7
Adult post-program employment	6
Adult post-program earnings	1
Weeks worked	1
Welfare post-program employment	1
Standards for hard to serve	9
Welfare	3
Dropouts	3
Minorities	3
Women	3
Handicapped	3
Older workers	3
Hard to serve in general	3
Youth standards	2
Cost per entered	1
Wage at placement	1
Adult termination standards	2
Wage gain	1
Entered employment for training activities	1
Economic development	1
Linkages with other agencies	1
Expenditure rates	2

Increasingly, States are using the performance-standards system to further their own goals for the JTPA system. Generally, we found that the State priorities were well accepted by the SDAs; in fact, State standards had often been developed in consultation with SDA representatives.

State Adjustment Policies

The DOL adjustment models were widely used in PY 86. Forty-two States used the models for all of the Federal performance standards.* Of the eight States that did not use the DOL models for any standard, three were single SDA States.**

Of the States that used DOL models, 26 had a stated policy to allow for additional adjustments beyond the model, although only 15 of the States explicitly described the procedures that SDAs should follow to request an adjustment. Despite the existence of State policies for adjustments, only 15% of all SDAs applied for adjustments in PY 86; of those requests, approximately 75% were granted. These adjustments were for a variety of circumstances, including special programs, economic conditions, and unexpected events.

For PY 86, all eight case study States used the DOL adjustment models for all standards, although one State made major modifications to the model, as described below. Two States made the effort to develop their own alternative models using State-specific data. In one State, the alternative model explained only 2% more of the variation in SDA performance than the national model, so the effort was abandoned. The other State plans to test its alternative model in PY 88 but not to base incentive awards on those calculations. This State's model differs from the national model principally in that it adjusts for the type of service activities.

Some case study States adopted policies for additional adjustments to encourage SDAs to serve the clients and offer the services appropriate to local needs. However, SDAs appeared to be reluctant to request such adjustments, and the States found it difficult to develop clear criteria for determining the amount of adjustment.

Adjustments were used in two other ways among the case study States. First, States adjusted standards "after the fact" to forgive particular SDAs for failing to meet a particular standard by a tiny amount. Second, at least two case study States initiated across-the-board adjustments to alter the impact of performance standards on all SDAs in the State. One State reduced the effective level of all standards using this method to minimize the impact of the standard on SDA behavior; another State increased the effective level of several standards to "challenge" the SDAs with the standards.

Finally, some States appeared to be reluctant to permit any adjustments to the standards at all because of the fear of contaminating the "objective" DOL model with subjective factors.

Incentive Policies

The JTPA legislation gives States the authority to distribute up to 6% of JTPA funds as incentive grants for good performance, stating that these funds "shall be used by the Governor to provide incentive grants for programs exceeding performance standards, including incentives for serving hard-to-serve individuals." The legislation further states that incentive grants "shall be distributed among service delivery areas within the State exceeding their performance standards in an equitable proportion based on the degree by which the service delivery areas exceed their performance standards." Thus, the legislation explicitly requires that incentive funds be based on exceeding, not just meeting, performance standards. The 6% funds not used for incentives are to be used for technical assistance to SDAs that do not qualify for incentive grants. In addition, States may set aside a portion of 6% funds up front for preventative technical assistance. Overall, States used an average of 14% of the 6% funds for all types of technical assistance in PY 86.

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*DOL provided two procedures to adjust the welfare entered-employment rate: an adjustment model and an adjustment based on the State ratio of the welfare entered-employment rate to the entered-employment rate for all adults. We counted the use of either procedure as use of the DOL model.

**Several single-SDA States used the models to set standards for their substate areas or providers.

The States have developed incentive policies that vary widely on a number of dimensions. First, States vary in the criteria they have established for SDAs to qualify for any incentives. Thirty-two States consider an SDA to have exceeded its standard for incentive purposes if its performance is above the model-adjusted level (or the national standard). However, DOL publishes a tolerance range around the standard that indicates the amount of statistical imprecision in the models. Nine States require that SDAs perform above the upper level of that tolerance range, and four require that SDAs perform above the lower level of the tolerance range to qualify for incentives.*

States also specify the number of standards that must be exceeded to qualify for incentives. On average, States require that half the standards be exceeded, although 14 States require only one standard and 7 require that all Federal standards be exceeded for SDAs to receive incentive funds. Nine States also require core standards be exceeded, most commonly the adult and welfare entered-employment rates.

The formula for determining the amount of incentives also varies widely. Twenty-two States have established separate pools of incentive funds for each standard. The other 28 States combine the performance on all standards into a summary measure. Most commonly this is done by summing the percentage by which each standard is exceeded. This procedure gives more weight to standards with greater variation, specifically the cost measures. Thus, an unintended effect of this procedure is to base the incentive funds more heavily on how much SDAs exceed their cost standards. This point was mentioned by a number of SDA directors that we interviewed in the case studies.

Besides this de facto weighting procedure, 20 States intentionally weight performance on some standards more heavily, so that on average the adult measures are weighted more heavily than the youth measures, and the entered-employment rates are weighted more heavily than other outcomes. The combined effects of intentional and unintentional weights are presented in Table 4.

Finally, States determine the formula that awards 6% funds based on the "degree by which service delivery areas exceed their standards." Eighteen States have taken a very literal approach to this requirement and award 6% based on a continuous function of the extent to which the standards are exceeded. Thus, in these States, SDAs that just marginally exceed their standards do not receive any incentive awards, and SDAs receive more incentives the more they exceed their standards. (For example, several States calculate the total percentage exceeded across all SDAs that qualify for incentives and award to each SDA the fraction of the total that they achieved.)

In contrast, other States have established several categories of exceeding standards, so that, for example, SDAs that exceed their

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*Some States have a two-tier system whereby SDAs must perform above the lower level on a large number of standards and above the upper level for a smaller number. The discussion pertains to the most stringent level in these cases.

Table 4

Mean and Range of Weights Placed on Federal Performance Standards

	Mean	Minimum	Maximum
Adult			
Entered-employment rate	13.1%	3.8%	25.0%
Wage rate at placement	11.3	3.7	35.9
Cost per entered employment	18.2	4.7	32.7
Welfare entered-employment rate	14.4	7.6	26.3
Youth			
Entered-employment rate	17.2	5.0	41.0
Positive-termination rate	9.9	2.0	16.5
Cost per positive termination	15.8	1.0	23.3

standards by less than 5% receive a certain award, those that exceed by 5 to 10% receive more, and those that exceed over 10% receive the maximum award. Furthermore, in 30 States, SDAs compete among themselves for incentives, so that the better one SDA does, the less incentives the other SDAs receive.

To capture these different dimensions, we coded several elements of the incentive policy, including the percentage of incentive funds that an SDA would receive for just marginally exceeding its standards, whether there is a threshold beyond which SDAs would not receive additional incentives for further exceeding its standards, and whether SDAs receive a bonus beyond the regular formula for very high performance, for example, for being the highest in the State. The number of States with these different dimensions is presented in Table 5.

In addition to awarding performance, States also use 6% funds to further other State objectives. Fifteen States include expenditure rate requirements in calculating the amount of incentives that SDAs receive, for example, by multiplying the amount of incentives an SDA would receive based on performance by the SDA's expenditure rate.

States also use 6% funds to encourage service to hard-to-serve groups. Seven States have set aside part of the 6% funds at the State level to be used to serve the hard to serve. Five States have incorporated service to the hard to serve into the 6% calculation, for example, by multiplying the award by the extent to which the SDA served specific groups in proportion to their incidence in the eligible population. Alternatively, three States require some of the incentive funds be used for the hard to serve, and eight States omit programs funded with incentive funds from performance standards if they are used for the hard to serve.

The case study States seemed to have several different reasons for their choice of 6% policies. First, many of the case study States wanted to develop the best possible "technical" solution to the question of how to weight the different standards and how to come up with a summary performance measure to determine the share of 6% funds that SDAs would receive. In pursuing this objective, technical performance-standards staff were assigned the job of reviewing the possible alternatives and coming up with a staff recommendation. Many of these staff reviewed practices in neighboring States and combined elements of policies in several other States. Elaboration followed elaboration, and before long, State incentive policies became highly complex documents.

For States treating the development of 6% policy primarily as a technical question, State staff did not appear to have spent much time worrying about whether SDAs would be able to grasp the intricacies of the 6% policy or what effect this policy would have on SDA policies and practices. Despite the lack of specific intent behind many State 6% policies, both the qualitative and quantitative research suggest that the choice of 6% policies has a strong effect on SDA strategic choices.

A smaller number of States viewed the 6% incentive award policy primarily as a way to influence SDA behavior. At least three strategies were used. One State wanted all its SDAs to succeed on the standards and wanted to minimize the influence the standards might have on SDA behavior, viewing performance standards as primarily a public relations vehicle. This State awarded only one-third of the 6% funds based on performance (the other two-thirds were based on size and expenditure rates) and used the lower boundary of each tolerance range.

Several States made a clear policy decision to give the standards unequal weight in their incentive awards policy. These States were trying to influence SDA decisions about tradeoffs among standards. A final

Table 5

Number of States with Various 6% Policies

	Number of States
Percent of incentive funds received for marginally exceeding standards:	
None	18
1 - 25	5
26 - 50	8
51 - 75	8
76 - 90	5
91% or more	3
Has cap on performance, beyond which no further incentives received	21
Gives bonus for extraordinary performance	7
SDAs compete for amount of incentives received	30

Note: Four single-SDA States without a clear incentive policy are excluded from this table.

group of case study States actively discouraged tradeoffs among the different standards by requiring that SDAs meet all seven standards before qualifying for any incentive award. It is not clear, however, that the intention of these States was to reduce the possible strategic performance options available to the SDA. One State's intention was merely "to reward performance above the norm rather than minimally acceptable performance."

Another key dimension on which State policies varied has to do with whether the State emphasized performance at the level of the standards or whether its awards policy encouraged overperformance. As we describe in subsequent chapters, this is one of the variations that had strong effects on the SDAs in each State. There was little evidence, however, that States considered the influence this aspect of the 6% policy might have on SDAs when they made the choice to emphasize performance at the standards level or to offer significant rewards for overperformance. States appeared more concerned that their procedures were technically correct or that they could identify exemplary performers.

Sanction Policies

The JTPA legislation also requires that States sanction SDAs for poor performance, stating "The Governor shall provide technical assistance to programs which do not meet performance criteria. If the failure to meet performance standards persists for a second year, the Governor shall impose a reorganization plan."

States have been slower to develop sanction policies, and as of PY 86, nine States did not have a specific policy. Of those that did, 21 defined failure to meet a standard as performing below the standard, and 16 States defined failure as performing below the lower level of the tolerance range. On average, SDAs were considered to have failed their standards in 1 year if they missed any three standards, although seven States defined a core set of standards that must be met, most commonly including the adult and welfare entered-employment rates. Twenty-two States defined failing 2 consecutive years as missing the same number of standards and eight required that the same standards be missed for 2 years.

Across the eight case study States, one rare area of similarity was in their overall approach to sanction policies: to hope it would never happen. There is an overriding posture of not wanting to be heavy handed.

Two of the States visited had not developed policies because the SDAs had performed so well that they could not foresee the issue arising. In two additional States, the issue of sanctioning was nearly ignored. One of those had developed clear criteria for SDA eligibility for incentive funds, but when one SDA failed to meet those criteria 2 years in a row, they were not specifically sanctioned. The remaining States had spelled-out policies.

Only 2 SDAs in our sample of 30 had experienced such difficulties with performance that they met the State's criteria for failure and might experience sanctioning if that performance were repeated in a second year. One of those SDAs reported that the State had been extremely helpful in designing and monitoring a corrective action plan, a learning process that the SDA found beneficial.

It appears that States have spent very little time worrying about sanctioning SDAs. Instead, they have focused on developing monitoring procedures and corrective action plans in those instances when it appears that performance may be problematic.

Section B.
Quantitative Analysis

IV. Design of the Quantitative Evaluation

Introduction

The purpose of the quantitative evaluation is to provide objective statistical evidence about the impact of State and SDA policies and practices on clients, services, and costs. The quantitative evaluation was designed to determine the following relationships:

- Overall impact of State performance-standards policies on clients, services, and costs;
- Impact of other factors, including concerns and influence of PIC and local elected officials (LEO) and characteristics of local eligible population and economy, on clients, services, and costs;
- Impact of SDA practices, including intake procedures and service provider arrangements, on clients, services, and costs; and
- Impact of State performance-standards policies on SDA practices that are found to affect clients, services, and costs.

This chapter describes the design of the quantitative analysis, including the strategy for collecting the data and the analysis strategy to determine these relationships.

Data Collection Strategy

The quantitative evaluation required data on program outcomes (clients, services, costs), State performance-standards policies, SDA practices (enrollment criteria, types of service providers, contracting procedures), PIC and LEO characteristics, and local environment characteristics, particularly characteristics of the local population eligible for JTPA. Existing data were used to the extent possible, but new data were required for several important aspects of the JTPA system. The strategies for using existing data and collecting new data are described below.

Use of Existing Data Sets

The quantitative evaluation made use of three existing data sources: the JASR, the Census Bureau, and BLS.

The JASR provided information on the characteristics of terminees, the length of participation, and the costs of the program. These data are reported separately for all adults, welfare adults (except costs), and youth. Each SDA reports these data to the States and then to DOL.

The JASR data were used to measure key outcomes for the evaluation, including characteristics of clients served, the length of program participation, and costs. The JASR does not, however, contain any data on types of services received or on any of the independent variables required for the evaluation. Nonetheless, SDA and State identifiers are provided for the JASR data so that these data were linked to other data sources for the evaluation.

The other sources of existing data used for this study were the Census Bureau and BLS. This study required data on the characteristics of the local eligible population, the local labor market, and geographic characteristics.

Two sources from the 1980 census were used to develop measures of the characteristics of the eligible population: the Summary Tape Files and the Public-Use Microdata Samples. The Summary Tape Files contain tabulations of data from the 1980 census so that the construction of characteristics is limited by the specific tabulation provided. The percentage of the local population with income below poverty and the population density of the SDA were obtained from this source. However, the characteristics of the local eligible population available on Summary Tape Files were not detailed enough for this evaluation.

To calculate the characteristics of the eligible population, we used the Public-Use Microdata 5% Sample Tapes of individuals. From this detailed individual-level file, we calculated the percentage of the eligible population with each of the characteristics listed in the JASR. We calculated these characteristics for several eligible groups: youth, adults ages 22 to 54, adults ages 22 to 64, all adults, and adults ages 22 to 64 who were unemployed. We determined eligibility based on the income of the household and the JTPA eligibility rules. If the household income was less than the poverty level or less than 70% of the lower level living standard or any person in the household received welfare, all persons in the household were treated as eligible.* For each SDA the characteristics of the eligible population were calculated for a group of counties that roughly corresponds to the counties served by the SDA.**

We correlated the different adult group

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*The entire household was considered a single unit even if it contained subfamilies. There were some exceptions to this general rule. Unrelated individuals living in a household were treated as separate individuals and not as part of the household. Inmates were excluded from the eligible population as were individuals living in college dormitories; other persons living in group quarters were included.

**The census sample tapes do not generally identify individual counties but rather groups of counties. In some cases the county group is a single county or even a large city or subarea within a county. In most cases, however, it is a collection of several counties. Thus, it was not possible to calculate the characteristics of the eligible population for the exact areas served by each SDA. County groups in which a large percentage of the population was in counties served by an SDA were allocated to that SDA. Several county groups were allocated to more than one SDA, and a few were not allocated to any SDA because only a small portion of the county group was served by any single SDA. Characteristics were not calculated for a few SDAs because a reasonable approximation could not be made. Because of the geographic approximations used, these data do not provide good estimates of the size of the eligible population for an SDA, but they should provide good estimates of the percentage of the population with various characteristics.

characteristics with the characteristics of the population served by JTPA programs and found that the characteristics of adults ages 22 to 54 had the highest correlations with the characteristics of JTPA participants. Thus, we used the characteristics of this group in our analysis of adult clients to control for differences in the eligible population across SDAs.*

Data on local economic conditions were calculated using sources that provide data for counties, including the ES 202 Program and the Local Area Unemployment Statistics Program (both in the BLS). We used economic conditions that were found to affect SDA performance in the DOL adjustment models.

New Data Collection Strategies

State Data. We collected information about State performance-standards and related policies by reviewing written State policies for PY 86. We requested from all States (and the District of Columbia) the following types of policies:

- Incentive and sanction policies;
- Adjustment policies—whether the DOL model is used, description of other procedures used to set standards, policies regarding adjustments to the model-adjusted standards;
- Additional performance standards beyond the seven Federal measures; and
- Policies for serving the hard to serve.

All States and the District of Columbia cooperated with this study and provided us with their policies, resulting in 51 observations.

Based on a review of these policies, we coded several dimensions of performance-standards and hard-to-serve policies. The coding form for State policies is presented in Appendix E. We contacted approximately 25% of the States by telephone because document review was not sufficient to code the policy dimensions that were used in the analysis.

SDA Data. Many of the data required for the quantitative evaluation come from the SDA level, including data on services, contracting arrangements, criteria for selecting clients, and characteristics of PICs, LEOs, and SDAs.

The new SDA-level quantitative data were obtained through a mail survey of all SDAs by using two structured questionnaires. The first questionnaire asked about the concerns and influences of the PIC and LEO, SDA's intake procedures, contracting procedures, and YEC requirements. We requested that the director complete this questionnaire. The second questionnaire asked about factual expenditure and participant data from the SDA's management information system (MIS). We requested that this fiscal/MIS questionnaire be completed by the staff members who have access to the best information on these items. Copies of the director and fiscal/MIS questionnaires are also included in Appendix E.**

Because high response rates were necessary to ensure that the results were representative of the entire JTPA system, we conducted telephone interviews with directors who did not respond to the mail survey. The detailed factual information in the fiscal/MIS questionnaire was not amenable to telephone interviewing, but nonrespondents were reminded by telephone to complete the questionnaire.

The response rates to both questionnaires were high. Of 610 questionnaires sent out, we received 530 responses to director questionnaires (87% response rate) and 454 responses to fiscal/MIS questionnaires (74% response rate).

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*For the analysis of adults over 55, we used the characteristics of all eligible adults.

**In single-SDA States, similar survey instruments were used but were administered by NCEP staff by telephone to tailor the questions to the specific circumstances of each State.

Table 6 presents a comparison of the JASR information and some local characteristics for three groups: the full sample of 610 SDAs, the sample of 530 SDAs that responded to the director questionnaire, and the sample of 441 SDAs that responded to both the director and fiscal/MIS questionnaires. This comparison indicates only minor differences in the characteristics of clients and local economies between the full sample of SDAs and the samples that responded to the questionnaires. Thus, the analysis samples are very representative of all SDAs in the JTPA system.

A summary of the new information collected from States and SDAs for the quantitative analysis is presented in Exhibit 1.

Analysis Strategy

The primary objective of the analysis is to estimate the relationships specified in the conceptual framework presented earlier.* In the conceptual framework, dimensions of performance standards, other policies, and the local environment are hypothesized to influence program-design decisions; in turn, program-design decisions are hypothesized to influence the characteristics of the clients served, the types of services provided, and the costs of those services.

Two groups of models were estimated in the analysis. In the first group, the dependent variables were the major outcomes for the evaluation: the characteristics of clients served, the types of services received, and the cost of those services. The objective of these models was to determine (1) the impact of State performance-standards policies on these outcomes and (2) the impact of SDA program-design elements on these major outcomes. In the second group of models, the dependent variables were those program-design elements found to affect clients, services, and costs. The objective of these models was to determine which of these important SDA program-design elements are mechanisms through which performance standards affect the final outcomes. Each of these two groups of models is discussed below.

Models for Clients Served, Types of Services Received, and Costs

In this group of models, the dependent variables are (1) the percentage of the SDA's terminees with various characteristics, (2) the percentage of terminees who received various types of services, (3) the average length of stay in the program, (4) the Title II-A program costs per terminee, and (5) the expenditure rates for Title II-A resources. We estimated three types of models with these outcome measures.

The first model estimated the impact of State performance-standards policies on clients, services, and costs, controlling for the other factors that influence program design.** The independent variables in this model included

- Dimensions of State performance-standards policies
  - Procedures for adjusting beyond the model,
  - Emphasis on exceeding standards in the 6% policy,

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*The estimation model, however, involved modification of the conceptual framework for two reasons. First, as we indicated earlier, Federal performance-standards policies and other Federal requirements of JTPA do not vary among SDAs and thus could not be included in a cross-sectional analysis. Second, some of the variables included in the conceptual model were not available for the evaluation. For example, the characteristics of applicants were not used because the cost of collecting that information was prohibitive.

**This model represents the complete reduced form of the recursive system specified in the conceptual framework.

Table 6

Comparison of Analysis Samples and Full Sample of SDAs on Selected Terminee Characteristics and Local Economic Conditions

	Sample Responding To		
	Full Sample	Director Questionnaire	Director and Fiscal/MIS Questionnaires
Terminee Characteristics			
Percentage of adults who are			
Welfare recipients	29.3	29.6	29.5
Dropouts	24.7	24.6	24.4
Minorities	35.6	35.0	34.6
Females	55.3	54.9	54.6
Limited-English speakers	3.5	3.3	3.2
Handicapped	9.6	9.5	9.2
Offenders	8.4	8.6	8.4
Ages 55 or older	3.5	3.6	3.7
Percentage of youth who are			
Welfare recipients	23.2	23.4	23.2
Dropouts	24.9	24.6	24.5
In school	39.6	40.3	39.9
Minorities	41.8	41.2	40.9
Females	50.7	50.4	50.4
Limited-English speakers	2.2	2.0	2.0
Handicapped	15.9	16.0	15.6
Offenders	7.1	7.2	7.1
Ages 18 to 21	61.0	60.3	60.8
Local Economic Conditions			
Unemployment rate	7.4	7.4	7.5
% families with income below poverty	9.7	9.7	9.8
Average wage (in 1,000's)	18.2	18.0	18.0
% of population in urban areas	64.5	63.8	63.1
Number of SDAs	610	530	441

Exhibit 1

Description of Information Obtained in Survey of SDAs and States

SDA DATA

Director Questionnaire

PIC Characteristics:

- Concerns of PIC about needs of clients, employers, performance.
- Influence of PIC in types of clients, services, YECs, contract types, contract terms, selection of providers.

LEO Characteristics:

- Concerns of LEO about needs of clients, employers, performance.
- Influence of LEO in types of clients, services, YECs, contract types, contract terms, selection of providers.

Performance-Standards Issues:

- Influence of performance standards overall and by measure.
- Adequacy of adjustments.
- Understanding of model.
- Experience with adjustments beyond the model.

Intake Procedures:

- Whether SDA or providers conduct outreach; assignment of participants to activities.
- Recruitment difficulty.
- Percentage of eligible applicants receiving services.
- Whether SDA targets services to specific groups; which groups.
- Enrollment criteria by program activity, including basic skills prerequisites, other assessments, employer selection.

Program Services:

- Types of YECs established.
- Criteria for deficiency.
- Criteria for attainment.

Service-Provider Arrangements:

- Use of performance-based contracts.
- Whether terms vary by client, services, type of provider.
- Payment points.
- Proportion of full price for placement.
- Wage requirement.
- Placement requirements.
- Client group requirements.

SDA Characteristics:
  - Proportion of staff worked in CETA.
  - Entity that is grant recipient; administrative entity.

Fiscal/MIS Questionnaire
- Resources available (allocation, carry over, 6% funds).
- Total expenditures.
- Expenditures on administrative costs.
- Expenditures on support costs.
- Expenditures on youth costs.
- Expenditures in performance-based contracts.
- Service provided by type of provider.
- Other program expenditures.
- Incentive funds received.
- Final performance standards.
- Number of participants receiving job-search assistance, basic skills remediation, classroom training in occupational skills, OJT, work experience, exemplary youth programs.

STATE POLICIES

- Use of adjustment models.
- Policies for adjustments beyond model.
- Additional standards.
- Other hard-to-serve policies for specific groups.
- Use of 6% for hard to serve.
- Proportion of 6% used for incentives.
- Standards required to qualify for incentives.
- Weights for each standard.
- Percentage of incentives received for marginally exceeding standards.
- Caps on incentives received.
- Whether service to hard-to-serve groups included in 6% calculations.
- Whether expenditure rates included in 6% calculations.
- Whether 6% funds covered by performance standards.
- Definition of failing standards.

  - Use of 6% for serving the hard to serve, and
  - Policies for serving hard-to-serve groups;
- PIC concerns and influence;
- LEO concerns and influence; and
- Characteristics of the local environment, including the local eligible population.

The purpose of these models was to determine the total effects of the State performance-standards policies on clients, services, and costs.

The second model was identical to the first except that the program-design elements were also included as predictors, including:

- Process and criteria used to select clients and
- Service-provider arrangements.

The purposes of this second model were (1) to determine the impact of these SDA program-design elements on clients, services, and costs and (2) to examine which of these design elements are potential mechanisms through which performance standards influence clients, services, and costs.*

The third type of model estimated the relationship among the outcomes of the evaluation. We could not estimate simultaneous models among clients, services, and costs, so we relied on the qualitative analysis to indicate the most common direction of causation.** As we discuss in detail in subsequent chapters, the relationships among clients, services, and costs are complex, and the direction of causation is different in the planning stage than in the operational stage. In our site visits, we found that typically SDAs first identified specific client groups that were to be served and then designed program services for those clients. Operationally, however, SDAs funded specific programs and the nature of those services affects the type of clients that enrolled in those programs.

Thus, in our quantitative analysis we included the client groups targeted by the SDA as predictors of the services offered and the actual percentage of services in various program activities as predictors of the types of clients actually enrolled in JTPA programs. We then included the percentage of services in various activities and the percentage of clients with various characteristics as predictors of program costs.

Models for the Elements of Program Design

In the second group of models, elements of program design were the dependent variables. The objective of estimating these models was to examine directly which elements of program design are mechanisms through which State performance-standards policies affect the final outcomes and to further understand the relationship between local characteristics and design decisions, which will be important background for the qualitative evaluation.

Models were estimated only for those program-design elements that were found to influence clients served, services received, or costs. As indicated by the conceptual framework, the independent variables for these models included the dimensions of performance standards, the characteristics of the PIC and LEO, and the characteristics of the local environment.

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*Because there were substantially fewer responses to the fiscal/MIS questionnaire than to the director questionnaire, this model was actually estimated in two steps. First, the effects of the process and criteria used to select clients was estimated using the sample of SDAs that responded to the director questionnaire. Second, we estimated the full model on the sample of SDAs that responded to both the director and fiscal/MIS questionnaires.

**To estimate the simultaneous system without bias, we need an identifying variable, that is, at least one variable that affects clients served that does not also affect services received. We were not able to indicate any identifiers, and no convincing identifiers have been recommended for estimating a simultaneous system in earlier design reports. We emphasize, however, that the first and second models described above are appropriate regardless of the causal relationship between clients and services.

Estimation

The models were estimated using multiple regression analysis*, which yields the independent effect of each variable, controlling for the effects of all the other variables in the model. The numbers presented in the tables in Chapters V and VI are these estimated impacts. Also presented in the tables are the standard errors of the estimated impacts, which indicate how precisely the impacts are estimated. The larger the impact relative to its standard error, the more reliable are the estimated impacts. Those that are very reliable are statistically significant, and these effects are starred in the tables.

Statistical Power of the Estimated Effects of State and SDA Policies

The quantitative analysis estimated the impacts of State performance-standards policies and of different SDA program-design elements. It is important to investigate whether the power of the quantitative analyses is sufficient to detect the effects of State and SDA policies and practices. The power of analysis depends on the size of the sample, on the variation in the dependent and independent variables, and on the correlation among the variables.

The example on the next page shows the probability of detecting statistically significant impacts on each of the two selected outcomes for adults: a $500 impact on cost per terminee and a 2.5 percentage point impact on the percentage of dropouts served. We consider four explanatory variables as examples: whether the State uses the DOL regression model, whether the State requires the use of 6% funds for hard-to-serve clients (by having a separate pool of 6% funds, by requiring 6% be used for the hard to serve, or by exempting 6% from standards if used for the hard to serve), whether the SDA targets dropouts, and the extent to which performance-based contracts are used.** The estimated statistical power of the analyses of the relationships between these explanatory and outcome variables are as follows.***

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*We used ordinary least squares (OLS) to estimate the empirical models. In most cases, the dependent variable is continuous and OLS is an entirely appropriate estimation technique. Although some of these continuous variables are limited in range (for example, percentage of clients who are high school dropouts, percentage of clients who received OJT), these limits are generally not constraining and do not significantly affect the distribution of the error term. Thus, OLS is appropriate even though the dependent variable is limited in range. In some cases, the dependent variables are binary, so that OLS models are inefficient because the error term is necessarily heteroscedastic and can yield predicted probabilities outside the range from zero to one. Generally, however, our experience with alternative techniques such as logit or probit has been that they yield results very similar to OLS unless the mean of the dependent variable is close to one or zero.

**The effects of the use of the model, the use of 6% for hard to serve, and the SDA targeting dropouts are estimated in the director questionnaire sample, while the effects of the use of performance-based contracts is based on the fiscal/MIS questionnaire sample.

***The calculation is based on a .05 significance level and the actual standard errors in the models estimated for the quantitative analysis.

	Cost per Terminee ($500)	Percentage of School Dropouts (2.5)
Use of DOL model (effect of all standards vs. no standards)	42%	32%
Use of 6% for hard to serve	99%	93%
Whether the SDA targets dropouts	-----	99%
Use of performance-based contracts (percent, effect of 50% change)	99%	95%

These results indicate that the power of the quantitative analysis is substantial (over 90%) for policies that vary considerably across States. Because a large majority of the States use the DOL models, the power of the analysis of the impact of using the model is lower. Overall, the power of the quantitative analysis is sufficient to detect effects of performance-standards policies.

V. Impact of Policies and Practices on Clients Served in JTPA Programs: Evidence from the Quantitative Analysis

Introduction

In this chapter we examine, using quantitative data, the impact of State performance-standards policies and other selected State and SDA policies and practices on the types of clients served by JTPA programs. Specifically, we examine whether differences in policies and practices are associated with variation in the characteristics of clients served, as reported in the JASR. We investigate the effects of policies and practices on clients often viewed as hard to serve, including welfare recipients, dropouts, minorities, females, and those with other barriers to employment (including handicapped, offenders, and those with limited English-speaking ability). For adults, we also examine those 55 years old and over, and for youth, we examine in-school youth and those 18 to 21 years old. The average percentages of terminees served with these characteristics are presented in Table 7 for adults and youth.

Historical data from job-training programs show that, with the exception of the older youth, participants with one or more of these characteristics are hard to serve in that they often require more intensive training and more supportive services and they have a harder time achieving a positive outcome than the other participants. As a result, most of these characteristics are included in the optional DOL adjustment models for PY 86. (The exception is the other barriers to employment because these characteristics either were not available for use in the models or were too rare to estimate reliably their impact on performance.)

When examining the impact of JTPA policies and practices, we control for differences among SDAs on many dimensions, the most important being the characteristics of the eligible population. As described pre-

Table 7

Means of Client Characteristics for JTPA Terminees and Eligible Populations in SDA

Adults

	JTPA Terminees	Eligible[a] Population
Welfare Recipients	29.5%	30.6%
Dropouts	24.6	37.3
Minorities	35.0	26.4
Females	54.9	56.6
Handicapped	9.5	15.3
Offenders	8.6	—
Limited-English speakers	3.3	3.3
Ages 55 and older	3.6	—

[a] The average characteristics of the eligible population ages 22 to 54.

Youth

	PY 86 JTPA Terminees	Eligible Population
Welfare Recipients	23.4%	32.5%
Dropouts	24.6	15.8
In school	40.3	46.5
Minorities	41.2	30.9
Females	50.4	53.2
Handicapped	16.0	3.7
Offenders	7.2	—
Limited-English speakers	2.0	1.9
Ages 18 to 21	60.3	53.2

viously, we calculated these characteristics from the Census Bureau sample for each SDA. The averages of these characteristics are also presented in Table 7.

Comparison of the characteristics of the eligible population to those of JTPA terminees shows a pattern that has been found in other studies. Specifically, for adults, JTPA programs tend to serve welfare recipients and women in proportion to their incidence in the eligible population but tend to serve proportionately more minorities and fewer dropouts than are in the eligible population. For youth, JTPA programs tend to serve in-school youth and females in proportion to their incidence in the eligible population but serve more dropouts and minorities and fewer welfare recipients than in the eligible population.

However, even in those cases in which the characteristics of the eligible population over- or understate the characteristics of JTPA participants, the variation across SDAs in the characteristics of eligible population is a very strong predictor of variation in the characteristics of the individuals served. Thus, the analysis controls well for important differences among SDAs in the characteristics of the eligible population that independently affect the types of clients served.

Overview of Chapter and Key Findings

The analysis in this chapter is organized following the conceptual framework presented in Chapter II. We begin by examining the impact of State and local factors that may influence SDA design decisions and thus the types of clients served, including

- State performance-standards policies—We find that State 6% policies that emphasize exceeding rather than just meeting standards and policies that place greater weight on the cost standard tend to discourage service to several hard-to-serve groups. State policies that adjust standards for serving hard-to-serve groups and policies identifying State priorities for client groups tend to encourage service to hard-to-serve groups.
- PIC and LEO concerns and influence—We find that PICs that are more influential in program design tend to be associated with greater service to some hard-to-serve groups while PICs more influential in contracting tend to be associated with less service to hard-to-serve groups.
- Local economic conditions—Although many characteristics of the local area are controlled for, we present only those economic conditions included in the JTPA allocation formula. We find that local unemployment rate has a strong influence on the types of clients served: SDAs in areas with high unemployment rates are less likely to serve hard-to-serve clients than those in areas with low unemployment.

Next, we add SDA practices that may also influence the types of clients served, including

- Enrollment criteria—We find that SDAs that use objective criteria serve more hard-to-serve clients than SDAs that rely on subjective judgments.
- Service-provider arrangements—We find that service-provider arrangements have fewer effects than expected. In particular, use of performance-based contracts has little effect on the types of clients served. We do find that SDAs that vary the terms of contracts serve more hard-to-serve clients than those that impose the same terms on all providers.

Then, we examine the relationship between clients served and services provided by adding

- Types of program services—We find a clear pattern where basic skills remediation has the strongest association with hard-to-serve clients, followed by classroom training in occupational skills, job-search assistance, and finally OJT.

The final section examines whether SDA practices that were found to affect the types of clients served were themselves influenced by State performance-standards policies. We find that

- State performance-standards policies affect SDA practices, which in part explain the effects of performance-standards policies on the types of clients served in JTPA programs.

Impact of State Policies

The estimated impacts of State performance-standards and related policies on the percentage of clients with different characteristics are presented in Table 8 for adults and Table 9 for youth.* In estimating the impacts of State-level policies, the analysis is limited by the fact that there are only 51 unique combinations of those policies. Policies used by only one or two States may serve as proxies for some unique circumstances in those States so it is difficult to obtain reliable estimates of the independent effects of rarely used policies. Thus, we have combined some of the policies with related policies to obtain greater variation across States.**

The numbers presented in Tables 8 and 9 indicate the independent effects of each policy or procedure. These effects represent the change in the percentage of clients with specific characteristics (for example, welfare recipients) for each unit change in the policy or practice.

The units in which the policies or practice are measured depend on the policy. Some policies we measure whether or not the State has that policy, for example, whether or not the State has a policy to use 6% funds for the hard to serve. Table 8 indicates that the effects of this policy on welfare recipients is 4.67 (fourth row, first column). This result indicates that SDAs in States with such a policy serve 4.67 percentage points more welfare recipients than SDAs in States without such a policy. Other policies are measured with a continuous variable, for example, the incentive weight placed on the cost standard is measured as a percentage. The estimated effect of this variable on welfare recipients is -0.43. Thus, for each percentage point increase in the weight on the cost standard, the percentage of welfare recipients is estimated to fall by 0.43 percentage points. Thus, SDAs in States with a weight of 15% on the cost standard are estimated to serve 4.3 percentage points more welfare recipients than SDAs in a State with a weight of 25% on the cost standard.

Presented also are the standard errors of the estimates, which indicate how reliably the impacts are estimated. Those impacts that are large relative to their standard errors and thus most reliable are statistically significant.

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*The impacts of State policies are estimated controlling for PIC and LEO concerns and influence, as well as the characteristics of the eligible population and the local area. The fraction of the variation in the dependent variables (R^2s) explained by these initial models are generally quite high. For adults, the R^2s are .58 for welfare recipients, .47 for dropouts, .88 for minorities, .28 for females, .37 for other barriers, and .22 for those age 55 and older. For youth, the R^2s are .49 for welfare recipients, .19 for dropouts, .14 for in school, .87 for minorities, .24 for females, .33 for other barriers, and .15 for those age 18 to 21.

**In our preliminary analysis, we also examined the impacts of other State policies, including the level of which standards are set (for example, lower tolerance range), State post-program standards, and dimensions of sanction policies. These policies had inconsistent effects that were not reliably estimated and so were not included in the final models.

Table 8

Estimated Impacts of State Policies on Percentage of JTPA Terminees with Various Characteristics—Adults

(Standard Errors in Parentheses)

	Welfare Recipients	Dropouts	Minorities	Females	Other Barriers to Employment	55 Years and Older
Use of model (number of standards for which model is used)	1.10*** (0.32)	0.54** (0.22)	0.38 (0.33)	0.42 (0.27)	0.01 (0.33)	-0.11 (0.11)
Adjustment procedures specified in policy	0.57 (1.06)	0.44 (0.68)	1.84* (1.04)	0.12 (0.88)	-3.04*** (1.03)	-1.73 (0.37)
Emphasis on exceeding standards in 6% policy	-1.54** (0.63)	0.19 (0.42)	-1.34** (0.64)	0.77 (0.55)	-0.16 (0.64)	-0.37* (0.23)
Use of 6% for hard to serve	4.67*** (1.09)	-0.74 (0.75)	-0.88 (1.28)	-1.66* (1.00)	5.00*** (1.12)	-0.00 (0.40)
State policy for serving client group	4.49*** (1.13)	2.26*** (0.82)	1.06 (1.28)	0.18 (1.06)	0.09 (1.18)	1.78*** (0.44)
Incentive weight on cost-per-entered-employment standard (%)	-0.43*** (0.14)	-0.16** (0.06)	0.04 (0.08)	-0.09 (0.07)	0.00 (0.08)	-0.01 (0.03)
Incentive weight on wage standard (%)	0.17 (0.12)	-0.11* (0.07)	-0.12 (0.10)	0.06 (0.09)	0.27** (0.10)	0.09** (0.04)
Incentive weight on welfare standard (%)	0.09 (0.17)	—	—	—	—	—

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

Table 9

Estimated Impacts of State Policies on Percentage of JTPA Terminees with Various Characteristics—Youth

(Standard Errors in Parentheses)

	Welfare Recipients	Dropouts	In School	Minorities	Females	Other Barriers to Employment	Ages 18 to 21
Use of model (number of standards for which model is used)	0.16 (0.31)	0.43 (0.39)	-0.07 (0.60)	0.03 (0.38)	0.09 (0.22)	0.91** (0.45)	-0.43 (0.53)
Adjustment procedures specified in policy	3.14*** (1.06)	1.19 (1.28)	0.63 (2.19)	2.27** (1.25)	0.79 (0.72)	-2.00 (1.46)	0.76 (1.74)
Emphasis on exceeding standards in 6% policy	-1.46*** (0.60)	-0.75 (0.74)	-3.56*** (1.20)	-2.65*** (0.71)	0.50 (0.42)	-0.62 (0.85)	5.00*** (1.00)
Use of 6% for hard to serve	4.72*** (1.16)	-5.30*** (1.41)	10.02*** (2.29)	1.68 (1.49)	-1.91** (0.86)	1.69 (1.64)	-7.80*** (1.94)
State policy for serving client group	0.85 (1.00)	1.05 (1.53)	0.04 (4.91)	1.31 (1.41)	-0.35 (0.85)	0.38 (1.59)	—
Incentive weight on cost-per-positive-termination standard (%)	-0.27*** (0.08)	-0.28*** (0.12)	0.16 (0.17)	0.12 (0.10)	-0.08 (0.06)	-0.33*** (0.12)	0.06 (0.14)
Incentive weight on entered-employment-rate standard (%)	-0.14* (0.08)	0.24*** (0.09)	-0.33** (0.14)	-0.07 (0.09)	-0.01 (0.05)	-0.18* (0.11)	0.17 (0.13)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

(Throughout this report the term "significant" is used in this technical sense.) Because we are examining impacts of a large number of policies and practices, some significant effects could occur by chance. Thus, in our interpretations of the funding, we place greater emphasis on the impacts that are consistent over several client groups or between adults and youth.

Results for Adults

The DOL models are intended to allow SDAs to serve hard-to-serve clients by adjusting SDAs' performance standards for the characteristics of clients served. The results for adults indicate that the number of standards for which the DOL adjustment models are used significantly increases the percentage of welfare recipients and dropouts served by JTPA programs. These results indicate that SDAs in a State that used the model for all seven standards would serve 7.7 percentage points* more welfare recipients and 3.8 percentage points more dropouts than SDAs in a State where the models were not used for any standards. Thus the adjustment models appear to have their intended affects of allowing SDAs to serve these harder-to-serve groups and still meet their performance standards.**

As indicated in Chapter III, approximately one-third of the States also specify procedures for SDAs to obtain additional adjustments beyond the model. Having a State policy that specifies procedures for obtaining adjustments beyond the model significantly increases services to minorities but has unexpectedly negative impacts on those with other barriers to employment (handicapped, offenders, or those with limited English) and those age 55 and older. This policy may be serving as a proxy for other conditions in those States, but it is also possible that adjustments beyond the model are made for service to other groups (for example, displaced homemakers) at the expense of service to groups listed in the JASR.

States vary widely in the emphasis their 6% policies place on SDAs exceeding their performance standards. The third row of Tables 8 and 9 indicates the estimated effects of the emphasis that 6% policies place on SDAs exceeding their standards, an index of several policies. Our preliminary analyses indicated that four State policies were strongly correlated: (1) giving only a small amount of incentives for marginally exceeding standards, (2) competition among SDAs for incentive funds, (3) not having a cap on performance (beyond which additional incentives would not be earned), and (4) the number of standards that must be exceeded to be eligible for incentives. Because of this correlation, we were not able to estimate reliably the impacts of these policies separately and instead combined them into an index representing the overall emphasis on exceeding standards.***

SDAs in States with policies that place a strong emphasis on exceeding standards serve significantly fewer welfare recipients, minorities, and older adults. Although these effects are highly significant, they are not large. For example, SDAs in States that score low on this index serve 2.4 percentage points more welfare recipients than SDAs in States that score high on this index.*

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*That is, 7 x 1.10.

**Only eight States do not use the DOL models. Three are single-SDA States, and several are less densely populated States. The analysis controls for the effects of being single-SDA States and of population density. The effects of the model, therefore, are independent of the effects of these other characteristics.

***The index was constructed using factor analysis, which examined the correlations among these policies. The analysis indicated (unstandardized) weights for each policy: percentage of incentives received for marginally exceeding standards, -.0098; placing a cap on performance, 0.72; having competition among SDAs, 0.59; number of standards that must be exceeded, 0.03.

States also use performance-standards policies to further State goals for the types of clients to be served in JTPA programs. Several States have 6% policies that emphasize services to the hard to serve, either by setting aside a pool of funds at the State level, requiring SDAs to use some 6% funds for the hard to serve, or exempting 6% funds from performance standards if they are used for the hard to serve.** Those 6% policies that emphasize service to the hard to serve tend to increase the percentage of welfare recipients and adults with other barriers to employment.

These policies, however, are associated with a significant decrease in the percentage of women served, a result that is particularly surprising given the large increase in welfare recipients served. Further analysis indicates, however, that SDAs in States with general assistance programs are particularly likely to reduce the percentage of women served in response to these hard-to-serve policies. In the qualitative section we discuss how some SDAs balance service to specific hard-to-serve clients with increased service to other easier-to-serve clients as a strategy for meeting performance-standards goals.

The fifth row in Tables 8 and 9 presents the impact of having a State policy for serving a specific client group, defined as having a State standard for service to that group, integrating service to that group into the calculation of incentive grants, or identifying the specific group as a priority group.*** (The results presented in Tables 8 and 9 represent the effect of having a policy for welfare recipients on the percentage of welfare recipients served, the effect of a policy for dropouts on the percentage of dropouts served, and so on.) Having State policies for service to welfare recipients, dropouts, or older adults results in large and significant effects on those client groups served by JTPA programs.

The final State performance-standards policy that we examine is the weights that are placed on the various Federal standards in calculating incentive grants. These results provide some evidence about the relative impacts of these Federal standards on the types of clients served. Some States explicitly place different weights on the different standards. However, States that give equal weight to the percentage by which SDAs exceed their standards implicitly give more weight to the cost standard because it is easier to be significantly below the cost standard than, for example, significantly above the wage standard, as discussed in Chapter III.

Placing greater weight on the cost standard significantly reduces service to welfare recipients and dropouts. For example, SDAs in States that place a low weight of 15% on the cost standard serve 4.3 percentage points more welfare recipients than SDAs in States that place a high weight of 25% on the cost standard.

Placing a high weight on the wage standard also reduces service to dropouts but significantly increases the percentage of clients over 55 or with other barriers to employment (handicapped, offenders, or those with limited English). The effect on clients 55 and older probably occurs because older workers have more work experience and can earn higher wages, but the effect on clients with other barriers is unexpected. The weight placed on the welfare entered-employment rate does not significantly affect the percentage of welfare recipients served.

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*An example of a State policy that scores low (25th percentile) on this index is one that requires only four standards be exceeded, gives 20% of the incentives for just marginally exceeding, has a cap on performance beyond which no further incentives are given, and has no competition among SDAs. An example of a policy that scores high (75th percentile) is one that requires six standards be exceeded, gives no incentive payments for marginally exceeding, has no cap on performance, and has competition among SDAs.

**We examined the separate impacts of these policies in preliminary analysis, but their separate impacts were less reliably estimated than the summary measure of using any one of these policies.

***Preliminary analysis examined the separate impact of having a standard and of having a policy identifying the group as hard to serve. The separate results were less consistent and less significant than those presented here.

Results for Youth

Table 9 presents the estimated effects of State policies on the types of youth served. The estimated impact of the number of standards for which the DOL adjustment models are used is considerably smaller than for adults, although the use of the models significantly increases the percentage of youth with other barriers to employment. Procedures for adjusting beyond the model, however, tend to have greater effects, significantly increasing the percentage of welfare recipients and minority youth. As with adults, the estimated impact of having these adjustment procedures is to reduce the percentage of youth with other barriers to employment.

As was the case for adults, incentive policies that place greater emphasis on exceeding standards result in significantly fewer welfare recipients and minorities being served by SDAs. These policies also significantly affect SDAs' decisions about serving in-school versus out-of-school youth, significantly reducing the percentage of youth who are in school, for whom positive termination is the major outcome, and increasing the percentage who are 18 to 21, for whom both an entered employment and positive termination can be attained.

Policies that use 6% for the hard to serve significantly increase the percentage of welfare recipients and particularly the percentage of in-school youth served. These policies tend to decrease service to dropouts, primarily because they decrease service to youth ages 18 to 21, who are more likely to be dropouts than younger youth. As with adults, these policies are associated with a significant decrease in service to females.

A State policy for the specific client group is estimated to increase the percentage of welfare recipients, dropouts, and minorities, although none of these effects are statistically significant for youth.

Placing greater weight on the youth cost-per-positive-termination standard significantly reduces service to several hard-to-serve groups, including welfare recipients, dropouts, and youth with other barriers to employment. Placing greater weight on the entered-employment-rate standard significantly reduces the percentage of welfare recipients and the percentage of minorities. The weight on the entered-employment-rate standard also significantly affects SDAs' decisions about whether to serve in-school youth, significantly decreasing the percentage of in-school youth. Because many of the dropouts are older and in predominantly employment-oriented programs, higher weight on the entered-employment-rate standard also increases service to dropouts for youth.

Summary of Impacts of State Policies

The results indicate that State performance-standards policies can affect the types of clients served in JTPA programs. States that place a strong emphasis on exceeding performance standards in their incentive policies tend to reduce service to several hard-to-serve groups, including both adult and youth welfare recipients. Furthermore, States that heavily weight the cost standards in calculating incentives tend to reduce service to hard-to-serve groups, including welfare recipients and dropouts. Awarding incentive payments based on the extent to which standards are exceeded and the presence of cost standards are both requirements in the JTPA legislation.

On the other hand, some performance-standards policies encourage service to hard-to-serve groups. The use of the DOL adjustment models increases service to several hard-to-serve groups, particularly for adults. States with procedures for adjusting beyond the model tend to encourage service to some hard-to-serve groups, although these effects are less consistent. In addition, States that require or encourage the use of 6% funds for the hard to serve and States that establish policies for specific client groups, including establishing State performance standards for service to client groups, tend to encourage service to more hard-to-serve clients in JTPA programs.

Impact of PIC and LEO Concerns and Influence

Next, we examine the impact of PIC and LEO concerns and influence on the types of clients served in JTPA programs. As indicated in our conceptual framework, the PIC and LEO are hypothesized to influence the design of the local JTPA program and thus the types of clients served. We examine the impact of the extent to which PICs and LEOs are influential in program design, are influential in contractual arrangements, and are concerned about SDA performance.

In our questionnaires, SDA directors were asked to rate the influence of the PIC and of the LEO in decisions about the types of clients to serve, the types of services to provide, the development of YECs, the selection of service providers, and the types and terms of service-provider contracts. Our preliminary analysis of the correlations among the answers to these questions indicated that there were two basic dimensions of influence: influence in program design (clients, services, and development of YECs) and influence in contracting arrangements (choice of providers, type of contracts, and terms of contracts). Furthermore, the influence of the PIC was not correlated with the influence of the LEO. The separate impacts of the PIC and LEO design and contracting influence on the types of adult clients served in JTPA programs are presented in Table 10.*

Results for Adults

The results indicate that in SDAs where the PIC is influential in program design, there is significantly greater service to welfare recipients, minorities, and females. In contrast, in SDAs where the PIC is influential in contracting, there is significantly less service to welfare recipients. Apparently, PICs that see their role as influencing the design of the program favor service to the hard to serve while there is some evidence that PICs that see their role as watching over how JTPA funds are spent favor service to other groups. The influence of the LEO had small estimated impacts that were not statistically significant.

Directors also rated how concerned the PIC was about various aspects of SDA performance, including performance relative to the standards set by the State, to the national standards, to performance of other SDAs in the State, and to last year's performance. Similar questions were asked about the LEO. Our analysis found that the PIC and LEO's emphases on performance were very correlated, so we combined these sets of answers. We separated out the concern about performance relative to the standards set by the State and performance relative to other criteria because the intention of the performance-standards system is that SDAs be judged according to their own standards, not against these other criteria.

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*Although PIC and LEO influences in design are correlated with PIC and LEO influences in contracting, these correlations only slightly increase the standard errors of the estimates. In our preliminary analysis we also examined the impact of PIC and LEO concern about client needs and about employer needs, but these variables had no significant impact and are not included in the final models. The impacts of PIC and LEO concerns and influence are estimated while controlling for State policies and the characteristics of the eligible population and the local area.

Table 10

Estimated Impacts of PIC and LEO Concerns and Influence on Percentage of JTPA Terminees with Various Characteristics—Adults

(Standard Errors in Parentheses)

	Welfare Recipients	Dropouts	Minorities	Females	Other Barriers to Employment	55 Years and Older
PIC influence on program design	1.86** (0.81)	0.62 (0.55)	1.60* (0.83)	1.29* (0.70)	0.83 (0.82)	0.13 (0.29)
PIC influence in contracting	-1.27* (0.68)	0.19 (0.46)	0.04 (0.70)	-0.59 (0.59)	-0.41 (0.29)	0.14 (0.25)
LEO influence on program design	-0.22 (0.81)	0.51 (0.55)	0.92 (0.83)	0.43 (0.70)	-0.40 (0.83)	0.23 (0.29)
LEO influence in contracting	0.06 (0.65)	0.41 (0.44)	0.97 (0.67)	0.07 (0.57)	0.74 (0.66)	-0.29 (0.24)
PIC and LEO concern about performance						
— Relative to standards set by State	0.37 (0.75)	0.49 (0.51)	-0.92 (0.78)	-0.56 (0.67)	-0.42 (0.77)	-0.01 (0.27)
— Relative to other criteria	0.06 (0.88)	-2.18*** (0.60)	-1.61* (0.90)	0.10 (0.77)	-1.28 (0.90)	-0.06 (0.32)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

The results in Table 10 indicate that the intensity of the PIC and LEO concern about performance relative to the SDA's own standards has small and inconsistent impacts on the types of clients served. However, their concern about performance relative to the other criteria significantly reduces service to dropouts and minorities and has a negative impact on service to those with other barriers to employment, although the latter effect is not statistically significant.

Results for Youth

Table 11 presents the estimated impacts of PIC and LEO concerns and influence on the youth groups served. Similar to the pattern observed for adults, the estimated impact of the PIC being more influential in program design is to increase significantly the percentage of youth with other barriers to employment, including handicapped, offenders, and those with limited English. Although not statistically significant, PIC influence on design also tends to increase the percentage of welfare recipient and in-school youth and decrease the percentage of older youth in JTPA programs. PICs that are influential in contracting, however, are estimated to significantly reduce service to welfare youth, and LEOs influential in contracting are estimated to significantly decrease service to in-school youth.

The impact of the PIC and LEO concern with performance is somewhat different for youth than for adults, in that the concern for performance relative to the SDA's standards is associated with significantly fewer female youth receiving JTPA services and the concern about performance relative to other criteria is associated with significantly fewer older youth being served.

Summary of Impact of PIC and LEO Concerns and Influence

Clearly, the few questions asked about the concern and influence of the PIC and LEO only begin to capture the complex relationship between these two partners and SDA decisions about whom to serve in JTPA programs. Nonetheless, the results suggest that PIC influence per se does not necessarily reduce service to the hard to serve. PICs that see their role as guiding the design of the program are associated with greater enrollment of the hard to serve while PICs that see their role as guiding the spending of the funds and choice of providers are associated with somewhat less enrollment of those groups. In general, the PIC has a substantially greater impact than the LEO.

The results about PIC and LEO concern about performance are far from conclusive. However, there is suggestive evidence that concern about performance relative to the SDA's own standards is less a barrier to serving the hard to serve than concern about performance relative to other criteria, such as the performance of other SDAs in the State. Several public interest groups have devoted considerable effort and resources to educating PICs and to some extent LEOs about the intention of performance standards and of the adjustment process. These results suggest that such efforts are well placed.

Table 11

Estimated Impacts of PIC and LEO Concerns and Influence on Percentage of JTPA Terminees with Various Characteristics—Youth

(Standard Errors in Parentheses)

	Welfare Recipients	Dropouts	In School	Minorities	Females	Other Barriers to Employment	Ages 18 to 21
PIC influence on program design	1.18 (0.81)	-0.11 (1.00)	1.19 (1.57)	-0.16 (0.97)	0.84 (0.57)	2.04* (1.15)	-1.97 (1.38)
PIC influence in contracting	-1.52** (0.67)	-0.51 (0.84)	-0.87 (1.31)	0.81 (0.81)	-0.54 (0.47)	-1.27 (0.96)	1.56 (1.15)
LEO influence on program design	0.20 (0.81)	0.79 (1.01)	-1.01 (1.58)	1.12 (0.98)	-0.07 (0.57)	-1.20 (1.16)	0.83 (1.39)
LEO influence in contracting	-0.63 (0.65)	1.13 (0.81)	-2.54** (1.26)	0.19 (0.79)	0.20 (0.46)	0.63 (0.93)	1.68 (1.11)
PIC and LEO concern about performance							
— Relative to standards set by State	-0.03 (0.75)	-1.10 (0.93)	1.09 (1.46)	-0.59 (0.91)	-1.03** (0.53)	0.63 (1.07)	0.11 (1.28)
— Relative to other criteria	0.73 (0.88)	-1.06 (1.10)	2.44 (1.71)	-0.91 (1.07)	0.28 (0.62)	-0.13 (1.26)	-2.57* (1.51)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

Impact of Local Conditions Used in Allocation Formula

All of the analyses presented in this report control for numerous local conditions.* Of particular interest, however, are the unemployment rate and the percentage of the families with incomes below poverty level because these two characteristics are used to determine how much JTPA funding each SDA receives. Thus, examining the impact of these local conditions gives some indication of the impact the Federal allocation formula has on the types of clients served in JTPA programs.

Table 12 presents these results for both adults and youth. SDAs operating in areas with higher unemployment rates serve significantly lower percentages of dropouts, minorities, and those with other barriers to employment for adults and significantly lower percentages of dropouts and minorities for youth. These results are very consistent with our findings from the case studies in which we found that SDAs in areas of lower unemployment were more likely to serve hard-to-serve clients with substantial barriers to employment who were made aware of JTPA programs by vigorous outreach efforts. In contrast, SDAs in areas of higher unemployment were more likely to serve those who were recently unemployed, who had previous work histories, and who sought out JTPA services on their own.

The percentage of families with incomes below poverty level has less impact on the types of clients served, although areas with more people below poverty level tend to serve fewer adults with other barriers to employment, fewer older adults, fewer youth with other barriers to employment, and fewer youth ages 18 to 21.

The allocation formula indicates the dual purpose of JTPA programs of serving those that are structurally unemployed via the poverty rate and serving those that are cyclically unemployed via the unemployment rate. These results indicate that basing JTPA funding on the unemployment rate increases funds to areas that serve clients who are more job ready but who are, nonetheless, eligible for JTPA services.

Impact of Enrollment Criteria

The next step in our analysis is to examine the impact of SDA procedures on the types of clients served in JTPA programs, including enrollment procedures and service-provider arrangements. These practices represent decisions that SDAs made in the design of local JTPA programs. It is important to examine the impact of these practices on clients served both because the results can be useful in improving program design and because these practices may be mechanisms through which performance standards influence clients served, as described in the conceptual framework. This section, therefore, examines the impact of SDA practices on the types of clients enrolled in JTPA

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*Included as control variables in all the analyses are characteristics of the eligible population (percentage of dropouts, post-high-school attendees, minorities, welfare recipients, females, those with limited English-speaking ability, handicapped, long-term unemployed, and, for adults, ages 22 to 29, and, for youth, ages 14 to 15, ages 16 to 17, and in school), characteristics of the local area (unemployment rate, population density, percentage of families with income below poverty level, net commuting into the area, percentage of population living in urban area, and average annual earnings in wholesale or retail trade), and SDA size as measured by the logarithm of expenditures (measures). Included also is a variable for single-SDA States and for SDAs in region 4, to control for regional differences in State policies. (The latter variable has a marginal impact on the significance level of State policies.) In the models for welfare recipients only, the maximum AFDC payment for a family of four is included as a control variable.

Table 12

Estimated Impacts of Local Characteristics Used in JTPA Allocation Formula on Percentage of JTPA Terminees with Various Characteristics

(Standard Errors in Parentheses)

Adults	Welfare Recipients	Dropouts	Minorities	Females	Other Barriers to Employment	55 Years and Older
Unemployment rate (PY 86)	-0.21 (0.23)	-0.36** (0.15)	-0.69*** (0.23)	-0.21 (0.19)	-0.64*** (0.22)	0.00 (0.08)
Percentage of families with incomes below poverty level (1980)	0.20 (0.18)	0.17 (0.12)	0.17 (0.18)	0.16 (0.16)	-0.54*** (0.18)	-0.18** (0.06)

Youth	Welfare Recipients	Dropouts	In School	Minorities	Females	Other Barriers to Employment	Ages 18 to 21
Unemployment rate (PY 86)	0.16 (0.21)	-0.64** (0.27)	-0.05 (0.41)	-1.12*** (0.53)	0.04 (0.15)	-0.21 (0.30)	0.37 (0.36)
Percentage of families with incomes below poverty level (1980)	-0.10 (0.17)	0.08 (0.21)	0.20 (0.33)	-0.27 (0.21)	0.00 (0.12)	-0.42* (0.24)	-0.64** (0.29)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

programs,* and the last section of this chapter examines the impact of performance standards on whether SDAs have adopted specific intake procedures or service-provider arrangements. The relationships between performance standards and SDA management practices are also explored in depth in the qualitative section.

Results for Adults

Table 13 presents the estimated impact of enrollment criteria on the types of adults served in JTPA programs. The director questionnaire asked directors which of several enrollment criteria were used to select applicants for enrollment into each of four types of service: basic educational skills training, classroom training in occupational skills, OJT, and job-search assistance (including pre-employment work maturity training for youth). From these answers, we calculated the proportion of services for which each criterion was used.

The first criterion is either to take everyone who was eligible or to select on a first-come, first-served basis but not to establish any other criteria. These criteria were used on average for 18% of the activities. Having no specific criteria for excluding clients does not significantly influence the types of adults enrolled in JTPA programs, contrary to our initial hypothesis. As discussed in the qualitative sections, targeting hard-to-serve clients often requires specific actions by the SDA or providers.

The second criterion is a combination of either requiring a high school degree or GED for enrollment in an activity or using tests of basic skills attainment, either using low or high skills as a requirement.** These criteria are used on average for over 40% of the activities. Surprisingly, using these formal criteria significantly increases the percentage of welfare recipients and minorities enrolled in JTPA programs, and is even estimated to have a positive effect on the percentage of dropouts enrolled. Our case studies indicated that often these criteria were used to slot applicants into the appropriate activity, so that individuals who have a high school diploma, for example, were given occupational skills training while those without a diploma were given other training, such as basic skills remediation. Similarly, if priority for some activity was given to those with high basic skills, those with low skills were not necessarily turned away from JTPA programs but instead were often assigned to some other activity. These criteria, therefore, are not necessarily indicators that SDAs are enrolling only those with high attainment but rather that they are using objective criteria to slot individuals into appropriate activities.

In contrast, the next criterion, selecting those who are judged more likely to complete the program, significantly reduces the percentage of dropouts and older adults served and is estimated to have a negative impact on all the hard-to-serve groups. Thus, using subjective judgment about applicants is significantly more likely to reduce the percentage of hard-to-serve clients in JTPA programs than using objective criteria, even if the latter are used to exclude individuals from certain activities. (Subjective criteria were used for an average of 36% of the adult activities and 31% of the youth activities.)

SDAs that use previous work history as an enrollment criterion serve significantly fewer dropouts than other SDAs.*** Finally,

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*The impacts of these procedures are estimated controlling for the State policies, PIC and LEO concerns and influence, and characteristics of the eligible population and local area.

**The criteria of educational attainment and the use of basic skills tests were combined based on preliminary factor analysis that found these criteria were correlated and preliminary regression analysis that found these criteria had similar effects on clients.

***Previous work history is used as a criterion for 18% of adult activities and 28% of youth activities.

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Table 13

Estimated Impacts of Enrollment Criteria on Percentage of JTPA Terminees with Various Characteristics—Adults

(Standard Errors in Parentheses)

	Welfare Recipients	Dropouts	Minorities	Females	Other Barriers to Employment	55 Years and Older
Proportion of program activities for which criteria used:						
No specific criteria	-0.46 (1.72)	-0.17 (1.18)	-0.31 (1.79)	0.10 (1.53)	-1.21 (1.78)	-0.04 (0.63)
Educational or basic skills criteria	3.61** (1.63)	1.17 (1.12)	4.32*** (1.69)	1.31 (1.44)	-0.60 (1.68)	-0.70 (0.60)
Judged more likely to complete program	-1.77 (1.26)	-1.75** (0.87)	-0.91 (1.31)	-1.00 (1.12)	-1.19 (1.30)	-1.11** (0.46)
Previous work history	1.55 (2.27)	-3.12** (1.56)	-1.46 (2.34)	1.52 (2.00)	-1.52 (2.33)	0.05 (0.82)
Referred from other agency	2.95** (1.41)	0.57 (0.96)	1.57 (1.45)	0.30 (1.24)	-0.98 (1.46)	0.10 (0.51)
Percentage of OJT participants selected first by employer	-0.05* (0.03)	-0.01 (0.02)	-0.03 (0.03)	-0.03 (0.02)	-0.04 (0.03)	0.01 (0.01)
SDA established procedures to recruit and enroll specific group	-1.03 (1.02)	0.77 (0.60)	0.67 (0.91)	—	2.84*** (0.99)	—

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

SDAs that use referrals from other agencies serve significantly more welfare recipients, reflecting that many SDAs have formal and informal links with the welfare system in their jurisdictions.*

In some SDAs, employers who are familiar with the eligibility requirements of JTPA programs will send their selected applicants who are eligible for JTPA services to the SDA to get OJT subsidy for that person. The director questionnaire asked what proportion of OJT participants were first selected by employers and then referred to JTPA programs. Approximately 16% of the OJT participants are selected first by the employer. The results indicate that this practice of accepting "reverse referrals" significantly reduces the percentage of adult welfare recipients served by JTPA programs and tends to have negative impacts on other hard-to-serve groups as well.

The directors were also asked if the SDA had established procedures to recruit and enroll specific client groups. Although the effect is not statistically significant, SDAs that had established such procedures for welfare recipients actually served fewer welfare clients. This unexpected result may be due to reverse causation, where SDAs that were having trouble enrolling enough welfare recipients were more likely to establish procedures to correct the problem. Establishing specific procedures for those with other barriers to employment is estimated to have a large and significant impact, increasing the percentage with other barriers by almost 3 percentage points.

Results for Youth

Table 14 presents the estimated impact of different enrollment criteria for youth. The questionnaire did not distinguish enrollment criteria for in-school and for out-of-school programs and to some extent makes the results less interpretable for youth than for adults. Nonetheless, the results represent the overall impact of these criteria on the types of youth served in JTPA programs.

SDAs that do not establish any specific criteria serve significantly fewer in-school youth and youth with other barriers to employment and serve significantly more youth ages 18 to 21. Thus, simply taking all eligible clients or selecting clients on a first-come, first-served basis results in serving youth who are likely to enroll in employment-oriented programs.

SDAs that use formal education or basic skills criteria serve a significantly greater percentage of several hard-to-serve groups, including welfare recipients, minorities, and women. This pattern is similar to that observed for adults.

Furthermore, as was also the case for adults, using subjective judgment about whether youth are likely to complete the program reduces service to the hard to serve, significantly so for welfare recipients, minorities, and those with other barriers. Again, use of subjective judgment to select individuals for JTPA programs is more a barrier for hard-to-serve groups than use of objective criteria.

Although a criterion of previous work history significantly reduces service to dropouts for adults, it increases service to dropouts for youth, probably because young dropouts are more likely to have been employed than other youth. The use of referrals from other agencies significantly increases the percentage of youth with other barriers to employment served by JTPA programs.

The practice of using reverse referrals from employers for OJT also reduces service to youth hard-to-serve groups, significantly so for welfare recipients, minorities, and women.

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*Referrals from other agencies are used for 18% of adult activities and 26% of youth activities.

Table 14

Estimated Impacts of Enrollment Criteria on Percentage of JTPA Terminees with Various Characteristics—Youth

(Standard Errors in Parentheses)

	Welfare Recipients	Dropouts	In School	Minorities	Females	Other Barriers to Employment	Ages 18 to 21
Proportion of program activities for which criteria used:							
No specific criteria	0.96	2.61	-5.76*	-2.43	1.00	-4.33*	6.51
	(1.68)	(2.06)	(3.22)	(2.04)	(1.20)	(2.41)	(2.87)
Educational or basic skills criteria	4.83***	-0.72	-0.09	3.17*	1.87*	-3.56	-0.45
	(1.47)	(1.80)	(2.82)	(1.79)	(1.05)	(2.11)	(2.50)
Judged more likely to complete program	-2.49*	0.65	-2.41	-3.32**	-0.26	-4.73**	-0.05
	(1.28)	(1.57)	(2.47)	(1.57)	(0.92)	(1.84)	(2.19)
Previous work history	-2.61	3.34*	-1.81	-1.09	-0.22	0.45	2.13
	(1.57)	(1.92)	(3.00)	(1.91)	(1.12)	(2.24)	(2.66)
Referred from other agency	1.50	-2.22	3.53	1.88	-0.76	3.89*	0.53
	(1.39)	(1.69)	(2.65)	(1.69)	(0.99)	(1.99)	(2.35)
Percentage of OJT participants selected first by employer	-0.06**	-0.01	-0.04	-0.06*	-0.03*	0.01	0.07
	(0.03)	(0.03)	(0.05)	(0.03)	(0.02)	(0.04)	(0.05)
SDA established procedures to recruit and enroll:							
Specific group	-0.52	—	—	0.79	—	3.75***	—
	(0.87)			(1.06)		(1.33)	
Dropouts	—	6.14***	-8.28***	—	—	—	6.04***
		(1.27)	(1.98)				(1.77)
In School	—	-4.42***	8.38***	—	—	—	-2.94*
		(1.17)	(1.82)				(1.69)
Ages 14 to 15	—	—	—	—	—	—	-5.09***
							(1.67)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

The directors were also asked about procedures to recruit and enroll specific youth client groups. These procedures were effective in significantly increasing the percentage of dropouts, in-school youth, and youth with other barriers to employment when these groups were targeted. Table 14 also presents the impact of targeting dropouts, in-school youth, and those under 16 for related client groups. These results indicate a clear tradeoff between targeting dropouts and targeting in-school youth. Furthermore, targeting dropouts will also significantly increase the percentage of youth ages 18 to 21.

Summary of Impact of Enrollment Criteria

The criteria that SDAs use to select participants have important impacts on the proportion of hard-to-serve clients participating in JTPA programs. The use of educational and basic skills criteria are associated with greater service to hard-to-serve groups, primarily because SDAs tend to use these criteria to slot individuals into appropriate services, as is discussed further in our qualitative analyses. In contrast, SDAs that rely on subjective judgment about individuals' likelihood of completing the program consistently serve fewer hard-to-serve groups for adults and youth. Furthermore, SDAs that allow employers to make a substantial amount of "reverse referrals" to their OJT program also serve significantly fewer hard-to-serve individuals.

Impact of Service-Provider Arrangements

SDAs were asked about the types of service providers that provided four types of program activities.* Our analysis examined the impact of the proportion of the four types of activities that were provided by various providers. We also estimated the impacts of the percentage of expenditure in performance-based contracts and, for adults, the terms of those contracts.** Table 15 presents these results for adults.

Results for Adults

The proportion of activities provided by the SDA itself is significantly associated with lower service to welfare recipients. This result is unexpected; our initial hypothesis was that SDAs that retained responsibility for provision of services would serve more hard-to-serve clients. Use of the public schools, including community colleges, also tends to reduce the percentage of hard-to-serve groups served, although none of the effects are statistically significant. Use of the employment service appears to significantly increase the percentage of older adults served by JTPA programs but has no significant effect on the other types of clients enrolled in the program.

The proportion of program activities provided by CBOs significantly increases service to dropouts and those with other barriers to employment and has a positive, although not statistically significant, impact on minorities and females. Because many CBOs are organized to serve specific target groups, using them to provide JTPA services appears to be an effective way to increase service to those groups, as confirmed by our qualitative analysis. In contrast, use of for-profit providers is associated with a lower percentage

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*Originally we tried to ask about the amount of funding for various types of service providers, but in the pretest we found that many SDAs could not provide that information.

**The impacts of service-provider arrangements are estimated while controlling for State policies, PIC and LEO concerns and influence, SDA enrollment criteria, and characteristics of the eligible population and the local area. Because the information about types of service providers and percentage of expenditures in performance-based contracts was collected in the fiscal/MIS questionnaire, this analysis is conducted on the sample of SDAs that responded to both the questionnaires. This sample is somewhat smaller than the sample used for the above analyses, which were based on the sample that responded to the director questionnaire.

Table 15

Estimated Impact of Service-Provider Arrangements on Percentage of JTPA Participants with Various Characteristics—Adults

(Standard Errors in Parentheses)

	Welfare Recipients	Dropouts	Minorities	Females	Other Barriers to Employment	55 Years and Older
Proportion of program activities provided by						
SDA itself	-3.17* (1.75)	-0.20 (1.17)	-1.66 (1.82)	0.09 (1.53)	0.95 (1.72)	-0.54 (0.73)
Public schools (including community college)	-3.32 (2.52)	-1.46 (1.69)	-2.99 (2.67)	0.66 (2.20)	-0.86 (2.50)	0.91 (1.04)
Employment services and other Government agencies	-0.74 (2.00)	-0.89 (1.35)	-1.66 (2.14)	0.70 (1.77)	1.78 (1.97)	1.46* (0.85)
Community-based organizations	-1.02 (1.66)	2.55** (1.10)	1.97 (1.72)	0.63 (1.45)	3.17* (1.62)	-0.01 (0.68)
For-profit organizations	2.19 (1.45)	0.10 (1.31)	-2.69 (2.03)	1.97 (1.72)	-3.58* (1.92)	-0.18 (0.81)
Percentage of adult expenditures in performance-based contracts	-0.011 (0.021)	-0.014 (0.014)	0.039* (0.021)	0.025 (0.018)	-0.007 (0.020)	0.001 (0.009)
Terms of performance-based contracts (weighted by percentage of expenditures in performance-based contracts)						
Wage rate	-0.046*** (0.014)	-0.013 (0.009)	-0.009 (0.014)	-0.017 (0.012)	-0.005 (0.013)	0.005 (0.006)
Proportion of full payment for placement outcomes	0.008 (0.047)	-0.001 (0.031)	0.029 (0.049)	0.046 (0.041)	-0.081 (0.046)	*0.022 (0.019)
Whether terms of performance-based contracts vary	0.100* (0.059)	0.103*** (0.039)	-0.060 (0.061)	0.109** (0.051)	-0.044 (0.058)	-0.033 (0.024)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

of individuals with other barriers served by JTPA programs.

SDAs were also asked the amount of expenditures that were in performance-based contracts. On average, SDAs spend approximately 25% of their total expenditures in performance-based contracts. As discussed in our conceptual framework, it is often argued that performance-based contracts increase providers' incentives to enroll the most job ready and, therefore, reduce service to hard-to-serve groups. The results in Table 15, however, do not support that contention. In fact, the percentage of adult expenditures in performance-based contracts is associated with significantly greater service to minorities.

The directors were further asked about the terms of their performance-based contracts (about their largest contract if the terms varied). In the analysis, we weighted the answers about the contract terms by the percentage of expenditures in such contracts.* These results indicate that high wage-rate requirements in performance-based contracts tend to reduce service to hard-to-serve groups, significantly so for welfare recipients. The proportion of the full payment that is reserved for placement outcomes (including retention) significantly reduces service to those with other barriers to employment but not to other groups. The lack of consistent results for this important dimension may be because there are a variety of ways that SDAs ensure that providers meet the terms of their contract besides holding back a large proportion of final payment, as discussed in the qualitative analysis.

SDAs that vary the terms of their contracts serve significantly more welfare recipients, dropouts, and females than do SDAs that impose the same terms on all contractors. In our qualitative analysis we describe how SDAs in our site visit sample varied these terms.

Results for Youth

Table 16 presents the estimated impacts of service-provider arrangements on youth. Because we did not distinguish secondary and post-secondary schools, some of the results reflect SDA decisions about serving in-school and out-of-school youth. As expected, the use of public schools as service providers is associated with a significant reduction in the percentage of dropouts that receive JTPA services. Provision of services by the SDA itself is significantly associated with a lower percentage of in-school youth. Reliance on the employment service as a service provider also is associated with fewer in-school youth as well as fewer minorities served.

The pattern of CBOs serving more hard-to-serve groups that was observed for adults also exists for youth, but the results are significant only for dropouts. Similarly, the proportion of activities provided by for-profit organizations is associated with lower service to in-school youth, minorities, and those with other barriers to employment, although none of these effects are statistically significant. For-profit providers, however, are associated with increased service to women, an effect that is significant for youth.

As was observed for adults, the percentage of youth expenditures in performance-based contracts did not reduce service to hard-to-serve groups and, in fact, is associated with a small increase in the percentage of youth with other barriers to

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*The impacts of the percentage of expenditures in performance-based contracts are estimated in a separate model without the variables for the terms of the contracts and therefore represent the impacts of performance-based contracts with average terms.

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Table 16

Estimated Impacts of Service-Provider Arrangements on Percentage of JTPA Participants with Various Characteristics—Youth

(Standard Errors in Parentheses)

	Welfare Recipients	Dropouts	In School	Minorities	Females	Other Barriers to Employment	Ages 18 to 21
Proportion of program activities provided by							
SDA itself	-0.27 (1.67)	2.49 (2.02)	-5.57* (2.98)	-1.12 (2.00)	1.54 (1.15)	-1.33 (2.26)	2.02 (2.81)
Public schools (including community college)	-0.45 (2.42)	-5.21 (2.96)	*3.29 (4.61)	-1.67 (2.92)	1.07 (1.66)	1.88 (3.30)	4.41 (4.13)
Employment services and other Government agencies	-2.77 (1.97)	1.67 (2.40)	-6.78* (3.75)	-5.04** (2.38)	1.64 (1.35)	-0.89 (2.67)	3.60 (3.34)
Community-based organizations	0.37 (1.62)	3.84* (1.96)	-0.36 (3.05)	0.74 (1.95)	0.48 (1.12)	1.12 (2.18)	-1.10 (2.73)
For-profit organizations	0.53 (1.90)	0.87 (2.32)	-1.75 (3.60)	-1.75 (2.27)	3.02** (1.31)	-4.06 (2.57)	-0.07 (3.22)
Percentage of youth expenditures in performance-based contracts	-0.03 (0.02)	0.02 (0.02)	-0.03 (0.04)	0.02 (0.02)	0.02 (0.01)	0.04 (0.03)	-0.06* (0.03)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

employment and a decrease in the percentage of older youth served in JTPA programs.*

Summary of Impact of Service-Provider Arrangements

Service-provider arrangements have some impacts on the type of clients served in JTPA programs, although there were fewer effects than expected. The use of CBOs as providers is associated with significantly greater service to dropouts for both adults and youth, while there is a weak pattern showing that the use of public schools as providers is associated with less service to several hard-to-serve groups.

Contrary to initial hypotheses, use of performance-based contracts does not reduce service to the hard to serve. There is some evidence that setting a high wage rate requirement in such contracts reduces service to adult welfare recipients. SDAs that vary terms of their performance-based contracts serve significantly more welfare recipients, dropouts, and women than SDAs that impose the same terms on all their performance-based contracts.

Impact of the Types of Program Services

The next step is to examine the interrelationships between the types of clients served and the types of services offered. As discussed above, there is a strong relationship between the types of services offered and the types of clients served, but the direction of causation is not clear and may vary by SDA. Based on the findings from the site visit interviews, our best assessment of the relationship is that SDAs establish planned target groups that may require specific program services so that, in the planning stage, planned clients affect planned services. After these planning decisions are made, however, the types of services actually offered affect the relative numbers of clients with different characteristics that are enrolled in JTPA programs. Thus, we have included the proportion of services in different program activities as predictors of the types of clients served.** In the next chapter we examine the impact of performance standards and other policies and practices on the choice of program activities.

Results for Adults

The SDAs reported the number of individuals receiving various types of program activities.*** Table 17 presents the estimated impact of the percentage of services that were in various program activities for adults. The reference group is the percentage of activities in classroom training in occupational skills.

SDAs that place greater emphasis on job-search assistance than classroom training serve significantly fewer welfare recipients and women. These SDAs, however, serve significantly more dropouts. There are two possible reasons for the latter relationship. First, dropouts are possibly excluded from classroom training in some SDAs (particularly when educational institutions are used to provide classroom training) and are given job-search assistance instead. Alternatively, SDAs may make room for the more intensive needs of dropouts by providing less expen-

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*Although we examined the effects of the terms of performance-based contracts for youth, we were unable to detect consistent and significant effects. Thus, the terms of performance-based contracts were not included in the youth model.

**The effects of program activities are estimated while controlling for State policies, PIC and LEO concerns and influence, SDA enrollment criteria, service-provider arrangements, and characteristics of the eligible population and local area. The sample included SDAs that responded to both the director and fiscal/MIS questionnaires.

***SDAs reported these figures in a variety of ways. Three-fourths reported the number of individuals that had ever received an activity so that those who received more than one activity were counted more than once. We calculated the proportion of services received by individuals that were in the different program activity categories.

Table 17

Estimated Impact of Program Activities and Supportive Services on Percentage of JTPA Participants with Various Characteristics—Adults

(Standard Errors in Parentheses)

	Welfare Recipients	Dropouts	Minorities	Females	Other Barriers to Employment	55 Years and Older
Percentage of program activities (relative to classroom training in occupational skills):						
Job-search assistance	-0.08** (0.03)	0.07*** (0.02)	-0.05 (0.03)	-0.09*** (0.03)	-0.00 (0.03)	-0.01 (0.01)
Basic skills	0.03 (0.06)	0.22*** (0.04)	0.16*** (0.06)	0.02 (0.05)	0.13** (0.06)	-0.00 (0.03)
OJT	-0.14*** (0.04)	0.03 (0.03)	-0.10** (0.04)	-0.17*** (0.03)	-0.08** (0.04)	-0.02 (0.02)
Work experience	0.17** (0.08)	0.01 (0.05)	0.04 (0.08)	0.12* (0.06)	0.04 (0.08)	-0.01 (0.03)
Percentage of expenditures in supportive services	0.02 (0.11)	-0.03 (0.07)	0.21* (0.11)	-0.02 (0.09)	-0.00 (0.11)	-0.01 (0.05)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

sive services to other groups. In that case, SDAs that offer more job-search assistance are able to serve more dropouts for the same average cost. Both of these relationships were found in our case studies.

SDAs that provide more basic skills remediation relative to classroom training in occupational skills enroll significantly more dropouts, minorities, and those with other barriers to employment. In contrast, SDAs that emphasize OJT relative to classroom training enroll significantly fewer welfare recipients, minorities, women, or those with other barriers to employment. The JTPA legislation restricts work experience in the program. SDAs that provide work experience serve significantly more welfare recipients and women.

The JTPA legislation also restricts expenditures on supportive services, and the lack of such services has frequently been cited as a barrier to enrolling the hard to serve. The percentage of expenditures in supportive services, however, is not generally associated with service to different types of clients, although it is associated with a modest increase in the percentage of minorities served.*

Results for Youth

Table 18 presents the impact of program activities on the characteristics of youth served in JTPA programs. For youth, the choice between whom to serve and the types of services to offer is probably more simultaneous than for adults because of the SDA's decision of whether to offer in-school programs. Nonetheless, these results indicate that a strong relationship exists between the types of services and the types of clients for youth. The provision of more job-search assistance, including pre-employment/work maturity training, is significantly associated with serving more in-school youth and fewer older youth and welfare recipients. Providing basic skills training has a large and significant impact on the percentage of dropouts served. Basic skills training, however, is associated with reduced service to welfare recipients for youth as well as reduced service to older youth. SDAs that emphasize OJT also tend to serve fewer welfare recipients and women, similar to effects observed for adults. Both work experience and tryout employment are associated with increased service to in-school youth and reduced service to older youth.

The percentage of expenditures in supportive services significantly increases the percentage of youth who are minorities and female, although there is an unexpectedly negative association with the percentage of youth with other barriers to employment.

Summary of Impact of Types of Program Services

These results indicate that the types of services offered do have strong associations with the types of clients served. Basic skills remediation has the greatest association with service to hard-to-serve groups. Classroom training in occupational training (the reference group) is next, followed by job-search assistance. SDAs that provide more OJT are the least likely to serve hard-to-serve groups. The next chapter examines in depth the factors that affect the SDAs' choices of the types of services offered in JTPA programs.

SDA Practices as Mechanisms for Performance-Standard Effects

In this chapter we have found that some aspects of State performance-standards and related policies affect the percentage of hard-to-serve clients served by JTPA programs. We have also found that several SDA prac-

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*Some supportive services are possibly provided through performance-based contracts so that the amount reported in the questionnaire understates the total support services received.

Table 18

Estimated Impact of Program Activities and Supportive Services on Percentage of JTPA Participants with Various Characteristics—Youth

(Standard Errors in Parentheses)

	Welfare Recipients	Dropouts	In School	Minorities	Females	Other Barriers to Employment	Ages 18 to 21
Percentage of program activities (relative to classroom training in occupational skills):							
Job-search assistance (including pre-employment/work maturity)	-0.12*** (0.04)	-0.04 (0.05)	0.22*** (0.07)	0.00 (0.05)	-0.02 (0.03)	-0.02 (0.05)	-0.15** (0.07)
Basic skills	-0.13** (0.05)	0.22*** (0.06)	0.02 (0.09)	-0.02 (0.06)	0.01 (0.04)	0.03 (0.07)	-0.16** (0.09)
OJT	-0.13** (0.05)	-0.04 (0.06)	-0.10 (0.10)	-0.10 (0.07)	-0.06* (0.04)	-0.23 (0.07)	0.10 (0.09)
Work experience	-0.07* (0.04)	-0.06 (0.05)	0.18*** (0.07)	-0.00 (0.05)	0.00 (0.03)	0.03 (0.05)	-0.09* (0.07)
Tryout employment	-0.07** (0.04)	-0.05 (0.04)	0.25*** (0.07)	0.01 (0.04)	-0.01 (0.03)	0.00 (0.05)	-0.15*** (0.06)
Percentage of expenditures in supportive services	0.05 (0.11)	-0.09 (0.13)	0.01 (0.20)	0.33** (0.13)	0.24*** (0.07)	-0.25* (0.15)	0.22 (0.18)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

tices, including enrollment criteria and service-provider arrangements, also affect clients. The question remains whether State performance-standards policies have led SDAs to adopt these practices, that is, whether the SDA enrollment criteria and service-provider practices are the mechanisms through which performance-standards policies affect clients.

To examine this issue, we have estimated the impact of State policies on SDA enrollment criteria, policies toward specific target groups, types of service providers used, use of performance-based contracts, and terms of those contracts. We have limited the analysis to those practices that were found to have some impact on clients or that are of particular policy interest. Furthermore, because these practices are less predictable than our main outcomes, we restricted the State policies to three primary variables: the use of the optional DOL models, the emphasis on exceeding standards, and the weight on the cost standard. We also examined the impact of State policies for serving particular client groups on the SDA choice to target services to that particular group.

SDA Enrollment Practices

Table 19 presents the estimated impacts of State performance-standard policies on SDA enrollment criteria and on whether SDAs have established procedures to recruit and enroll specific client groups for adults. SDAs in States that use the DOL models are significantly less likely to use two enrollment criteria that were found to reduce service to the hard to serve: subjective judgments of whether the individual is likely to complete the program and reverse referrals from employers for OJT slots. Furthermore, SDAs in States that use the adjustment models are also significantly more likely to establish procedures to recruit and enroll welfare recipients and those with other barriers to employment.

SDAs in States with policies that emphasize exceeding standards are significantly less likely to use formal enrollment criteria of basic skills or educational attainment, criteria found to increase service to hard-to-serve groups. State policies that give more weight to the cost-per-entered-employment standard significantly increase the use of reverse referrals for OJT and significantly reduce the use of procedures to bring welfare recipients into JTPA programs.

States that establish policies to encourage service to welfare recipients significantly increase the probability that SDAs will establish procedures to bring welfare recipients into the program. However, State policies for dropouts or for those with other barriers to employment are not translated into local practices.

The impacts of State policies on SDA enrollment practices for youth, presented in Table 20, are very similar to the pattern observed for adults. The use of the DOL models significantly increases SDAs' targeting of service to youth welfare recipients, dropouts, and those with other barriers to employment. State policies that emphasize exceeding performance standards significantly reduce the use of basic skills or educational criteria, as for adults. State policies to encourage service to youth welfare recipients significantly increase the probability that SDAs will target services to that group, although the targeting of services to dropouts and those with other barriers to employment appears to be primarily affected by local factors for youth as well as adults.

SDA Service-Provider Arrangements

Table 21 presents the estimated impacts of State performance-standard policies on SDA service-provider arrangements. The use of the model significantly increases the use of public schools as service providers but does not have any other impact on providers or contract provisions. State policies that emphasize exceeding standards, however, have substantial effects on service-provider arran-

Table 19

Estimated Impacts of State Policies on SDA Enrollment Criteria and Procedures to Enroll and Recruit Specific Groups—Adults

	Enrollment Criteria					
	Proportion of Activities for Which Criteria Used			SDA Procedures to Enroll and Recruit Specific Groups		
State Policies	Educational or Basic Skills	Judged More Likely to Complete Program	Percentage of OJT Participants Selected First by Employer	Welfare Recipients	Dropouts	Other Barriers to Employment
Use of model (number of standards for which model used)	-0.01 (0.01)	-0.02* (0.01)	-1.17** (0.49)	0.05** (0.01)	0.02 (0.02)	0.04** (0.01)
Emphasis on exceeding standards in 6% policy	-0.04** (0.02)	0.02 (0.02)	-0.86 (0.99)	-0.02 (0.03)	0.02 (0.03)	-0.02 (0.03)
Incentive weight on cost-per-entered employment standard	0.003 -(0.003)	-0.00 (0.003)	10.22* (0.12)	-0.008* (0.005)	-0.002 (0.004)	0.001 (0.004)
State policy for serving specific group	—	—	—	0.13** (0.05)	-0.01 (0.06)	-0.01 (0.05)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

Table 20

Estimated Impacts of State Policies on SDA Enrollment Criteria and Procedures to Enroll and Recruit Specific Groups—Youth

	Enrollment Criteria				
	Proportion of Activities for Which Criteria Used		SDA Procedures to Enroll and Recruit Specific Groups		
State Policies	Educational or Basic Skills	Judged More Likely to Complete Program	Welfare Recipients	Dropouts	Other Barriers to Employment
Use of model (number of standards for which model used)	-0.01	-0.01	0.03**	0.03**	0.03**
	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)
Emphasis on exceeding standards in 6% policy	-0.05**	-0.01	-0.00	-0.01	-0.03
	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)
Incentive weight on cost-per-entered-employment standard	0.003	0.003	-0.004	-0.002	0.002
	(0.003)	(0.003)	(0.004)	(0.004)	(0.004)
State policy for serving specific group	—	—	0.12**	0.01	-0.01
			(0.05)	(0.05)	(0.05)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

Table 21

Estimated Impacts of State Policies on Service-Provider Arrangements

	Proportion of Activities Provided by			Percentage of Adult Expenditures in Performance-Based Contracts	Terms of Adult Performance-Based Contracts		
	Public Schools	CBOs	For-Profit Organizations		Vary Terms	Wage Rate	Proportion of Payment for Placement Outcomes
Use of model (number of standards for which model used)	0.02** (0.01)	0.01 (0.01)	-0.00 (0.01)	0.82 (0.89)	0.00 (0.01)	0.01 (0.03)	0.48 (0.94)
Emphasis on exceeding standards in 6% policy	0.00 (0.01)	0.01 (0.02)	0.06*** (0.02)	5.77*** (1.78)	-0.01 (0.02)	0.10* (0.06)	3.62* (2.05)
Incentive weight on cost-per-entered-employment standard	-0.001 (0.002)	0.001 (0.003)	-0.002 (0.002)	-0.179 (0.223)	0.002 (0.003)	-0.004 (0.007)	-0.231 (0.239)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

gements. Such policies significantly increase the use of for-profit providers, which we found reduced service to some hard-to-serve groups. SDAs in States that emphasized exceeding standards also expended significantly more funds in performance-based contracts for adults, and these policies also affect the terms of those contracts, increasing the wage rate required and the fraction of full payment reserved for placement outcomes. Although we found only small effects of these terms on clients served in the quantitative analysis, we will return to this issue in the qualitative analysis. The weight on the cost standard did not significantly affect SDAs' service-provider arrangements.

Summary of SDA Practices as Mechanisms for Performance Standards

These results indicate that enrollment criteria and contracting practices are mechanisms through which performance standards affect clients served. SDAs in States that use the adjustment models are more likely to target services to hard-to-serve groups and are less likely to use enrollment criteria that reduce service to hard-to-serve groups. SDAs in States that emphasize exceeding standards in their 6% policies are more likely to use for-profit providers and write performance-based contracts with terms that emphasize performance. SDAs in States that place greater weight on the cost standard are more likely to use enrollment criteria that reduce service to the hard to serve and are less likely to target services to welfare recipients. These mechanisms, however, do not fully explain the impacts of State policies on clients. State policies also affect clients in part through their effects on service mix, as we discuss in the next chapter, and in part through their effects on other management practices, as we discuss in Chapter XI.

Summary and Conclusions

The types of clients served in JTPA programs are affected by both State performance-standards policies and SDA practices. Several aspects of State performance-standards policies can affect the extent to which hard-to-serve groups are served by JTPA programs:

- Adjustment policies—Use of the DOL adjustment models significantly increases service to several hard-to-serve groups, including adult welfare recipients and dropouts. Specifying procedures for adjustments beyond the model also tends to increase service to some hard-to-serve groups, but the effects are less consistent.
- Emphasis on exceeding standards—States that place a strong emphasis on exceeding standards in their 6% policies tend to lead SDAs to enroll significantly fewer hard-to-serve clients and to focus their youth programs on older youth.
- Emphasis on the cost standards—States that place a high weight on the cost standard lead SDAs to serve fewer welfare recipients and dropouts.
- Use of 6% for hard to serve—These policies tend to increase service to welfare recipients and adults with other barriers to employment and to focus the youth programs on in-school youth.
- Hard-to-serve policies—States that establish policies for welfare recipients and dropouts, including State standards for these groups, lead SDAs to enroll more of these hard-to-serve groups.

SDA policies and practices also affect the types of clients served by JTPA programs:

- PIC influence—PIC influence per se does not reduce service to the hard to serve. The results suggest that PICs design of the program are associated with greater enrollment of the hard to serve while PICs that are more involved in contracting are associated with less service to some hard-to-serve groups.

- Enrollment criteria—SDAs that use objective basic skills or educational attainment criteria serve more hard-to-serve clients, probably because these criteria are used to slot participants into appropriate activities. In contrast, SDAs that use subjective judgments, require previous work histories, or accept reverse referrals from employers for OJT slots serve significantly fewer hard-to-serve clients.
- Service-provider arrangements—The use of CBOs as service providers is associated with greater service to several hard-to-serve groups, including both adult and youth dropouts. The percentage of expenditures in performance-based contracts does not reduce service to hard-to-serve groups, although there is a weak pattern showing that setting high wage-rate requirements or holding more payment back for placement outcomes reduces the percentage of some hard-to-serve groups in JTPA programs. SDAs that vary the terms of their contracts serve significantly more adult welfare recipients and dropouts.
- Program services—The types of program services offered by SDAs have a strong influence on the types of clients enrolled in JTPA programs. Basic skills remediation has the strongest association with enrollment of hard-to-serve groups, followed by classroom training in occupational skills, then job-search assistance. SDAs that provide more OJT tend to serve significantly fewer hard-to-serve clients.

This chapter also examined whether the SDA practices are mechanisms through which performance standards affect clients. The results indicate that State performance-standards policies do significantly affect SDAs' enrollment criteria and contracting practices, which in part explains the effects of performance-standards policies on clients.

The results of this chapter indicate that performance standards can influence the types of clients enrolled in JTPA programs. Although the effects are statistically significant and have important policy implications, it should be kept in mind that the effects are not large. Even in States with policies that are found to discourage service to hard-to-serve groups, SDAs are enrolling a considerable number of hard-to-serve clients.

For example, on average, 29.5% of adult clients in JTPA programs are welfare recipients, approximately equal to their incidence in the eligible population, which is 30.6%. The results of this evaluation indicate that an SDA that is average on all other characteristics but is in a State that has a strong emphasis on exceeding standards is estimated to serve 28.3% welfare recipients; a similar SDA in a State with a low emphasis on exceeding is estimated to serve 30.2% welfare recipients.* An average SDA in a State that places a high weight on the cost standard is estimated to serve 26.9% welfare recipients; a similar SDA in a State that places a low weight on the cost standard is estimated to serve 31.2% welfare recipients.

These examples indicate that SDAs in States with policies that discourage service to welfare recipients are serving welfare recipients only slightly less than their incidence in the population. Thus, the results should not be interpreted that certain performance-standards policies preclude service to the hard to serve; rather the results indicate that some policies reduce service to the hard to serve at the margin.

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*Based on 75th and 25th percentiles of the State policies.

VI. Impact of Policies and Practice on Services Provided and Program Costs in JTPA Programs: Evidence from the Quantitative Analysis

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Introduction

In this chapter we examine the effects of State performance-standards policies and SDA practices on the types of services offered in JTPA programs and on program costs. It is important to determine the factors that affect the provision of services both because of a direct concern about the quality and intensity of training and because the types of services offered have important effects on the types of clients enrolled in the programs, as we demonstrated in the previous chapter. It is also important to determine how performance standards, which are intended to increase the cost-effectiveness of the JTPA program, in fact affect program costs.

Overview of Chapter and Key Findings

We first present an analysis of program services. The structure of the analysis follows the conceptual framework in Chapter II. Thus, we begin by examining the impact of factors that are hypothesized to affect SDA design decisions, including

- State performance-standards policies. We find that adjustment policies and policies for the hard to serve tend to increase the intensity of program services, while policies that emphasize exceeding standards reduce the amount of basic skills training provided and increase the employment focus of JTPA training.

- PIC and LEO concerns. We find patterns consistent with those seen for clients whereby PICs influential in program design are associated with more intensive services while PICs more influential in contracting are associated with more OJT services.

Next, we add SDA practices that may affect the types of services provided, specifically

- SDA client goals. We find that SDAs that target specific client groups also provide program services appropriate for the needs of those clients.

We then turn to an analysis of program costs. We start by examining the impact of factors hypothesized to affect program design, including

- State performance-standards policies. We find that State performance-standards policies have fewer effects on program costs than on clients or services. For example, the weight placed on the cost standard does not significantly reduce program costs.
- PIC and LEO concerns and influence. Again, we find few significant effects on costs.

Next, we examine whether SDA practices affect program costs, including

- Service-provider arrangements. We find some evidence that differences in costs among SDAs may reflect the extent to which JTPA funds are leveraged with other resources.

Finally, we examine the interrelationship among program outcomes by examining the impact on program costs of the following:

- Provider services. We find significant differences in the costs of program services, with job-search assistance being considerably less expensive than other services.
- Clients served. Controlling for the types of services provided, types of clients served have only a small impact on program costs.

Program Services

Information about the number of individuals receiving different types of program activities was obtained in our survey of SDAs. Because SDAs are not required to report program activities to DOL, SDAs track the number of individuals receiving services in a variety of ways. The majority record the number of individuals who ever received a separate activity (so that those who received more than one program service were counted more than once), while other SDAs record only one activity per participant. From the information reported to us, we calculated the percentage of the total number of participant services that were in each program activity.

Table 22 presents program activity results for SDAs reporting only one activity per participant and for SDAs reporting multiple activities for each participant. The overall pattern indicates that most multiple-activity sequences involve job-search assistance coupled with either classroom training in occupational skills or OJT. Our analysis controls for the differences in how SDAs record activities. The findings, therefore, should be interpreted as the impact on the percentage of participant services in various activities, including multiple activities.

SDAs tend to report activities that are provided separately. In our site visits we found that many occupational skills programs also included basic skills remediation or job-search assistance instruction that are not reported as separate activities.

Impact of State Policies on Services

Results for Adults. Table 23 presents the estimated impacts of State performance-

Table 22

Means of Percentage of Services in Various Program Activities for SDAs Reporting Single and Multiple Activities

	Adults		Youth	
	Single Activity	Multiple Activities	Single Activity	Multiple Activities
Job-search assistance (including pre-employment/ work maturity training)	20.1%	26.0%	21.1%	24.6%
Basic skills training	6.7	7.1	9.3	10.8
Classroom training in occupational skills	34.7	30.8	19.5	15.8
OJT	33.4	28.8	18.1	13.2
Work experience	2.6	3.0	12.4	12.0
Tryout employment	—	—	15.9	16.2
Other activities	2.6	4.4	3.7	7.4
n =	113	328	113	328

Table 23

Estimated Impact of State Policies on Percentage of JTPA Services in Various Program Activities—Adults

(Standard Errors in Parentheses)

	Job-Search Assistance	Basic Skills Training	Classroom Training-Occupational Skills	OJT	Average Length of Participation (Weeks)
Use of model (number of standards for which model used)	0.44 (0.75)	-0.31 (0.36)	-0.39 (0.67)	0.09 (0.63)	0.78*** (0.23)
Adjustment procedures specified in policy	-4.34* (2.40)	1.99* (1.13)	2.73 (2.15)	-1.21 (2.00)	-1.98*** (0.77)
Emphasis on exceeding standards in 6% policy	0.67 (1.49)	-2.21*** (0.70)	3.47*** (1.33)	-1.17 (1.24)	0.15 (0.46)
Use of 6% for hard to serve	-0.31 (2.57)	-3.54*** (1.21)	4.66** (2.30)	2.60 (2.14)	-0.52 (0.82)
Policy for serving welfare recipients	4.53 (2.87)	2.71** (1.36)	-1.84 (2.57)	-6.48*** (2.39)	-1.34 (0.88)
Policy for serving dropouts	5.06* (2.90)	0.35 (1.37)	-0.21 (2.59)	-4.16* (2.41)	1.77* (0.97)
Incentive weight on cost-per-positive-termination standard (%)	-0.13 (0.21)	0.03 (0.10)	-0.03 (0.19)	0.20 (0.18)	-0.13** (0.07)
Incentive weight on wage standard (%)	-0.00 (0.25)	0.03 (0.12)	0.45** (0.22)	-0.43** (0.20)	0.05 (0.08)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

standards policies on the types of services received by adults in JTPA programs.* The DOL adjustment models do not adjust for services, and we find that the use of these models does not have any significant impact on the types of services provided. SDAs that want an adjustment for providing a particularly costly program need to request adjustments beyond the model. The results indicate that SDAs in States that have such adjustment procedures enroll significantly more individuals in basic skills training and enroll significantly fewer individuals in job-search assistance.

Length of participation is included in the cost models, and use of the model does lead to significantly longer services. For example, SDAs in States that use the model for all seven standards are estimated to provide services lasting 5.8 weeks longer than SDAs in States that do not use the model at all. Policies specifying adjustment procedures, however, are unexpectedly associated with significantly shorter services despite the significant reduction in short-term job-search assistance. (One possibility is that SDAs in States without adjustment procedures may rely more on existing training programs, such as community colleges, that offer longer services at little expense to JTPA programs.)

States that place greater emphasis on exceeding standards tend to discourage the provision of basic skills services to adults. For example, SDAs in States that score low on this measure provide 2.8 percentage points more of their services in basic skills training than SDAs in States that score high on the emphasis-on-exceeding index. Policies that emphasize exceeding standards are associated with significantly more classroom training in occupational skills, however, rather than the less intensive job-search assistance. Thus, these policies appear to be increasing the employment focus of the program rather than reducing the intensity of services.

SDAs in States that require that 6% money be used for the hard to serve also provide fewer of their services in basic skills training. This policy, however, increases the amount of classroom training in occupational skills. It is possible that the 6% funds allow SDAs to set up special purpose occupational programs for the hard to serve rather than to provide those participants with basic skills remediation only.

In the analysis we included State policies for serving welfare recipients and dropouts because these two policies were found to be effective and because the JTPA legislation requires equitable service to these groups. Both policies significantly reduce the amount of services in OJT, the program activity associated with the easiest-to-serve clients. Only the policy for welfare recipients, however, significantly increased the amount of basic skills training.

Both policies for welfare recipients and dropouts tend to increase the amount of job-search assistance provided. Policies for serving welfare recipients may increase job-search activities because of the common practice of providing initial job-search assistance to welfare recipients as part of work-fare programs. However, these effects may also reflect the fact that SDAs often "make room" for more intensive services for some groups by providing very inexpensive services to others. The net result is that State policies for welfare recipients tend to shorten the length of participation, but State policies for dropouts significantly increase the average length of participation.

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*The fraction of the variance in services explained by the models is significant but lower than for the client models. For adults, the R^2s of the initial models are .12 for job-search assistance, .13 for basic skills training, .23 for classroom training in occupational skills, and .28 for OJT. For youth, the R^2s are .14 for job-search assistance, .15 for basic skills training, .14 for classroom training in occupational skills, .25 for OJT, .09 for work experience, and .08 for tryout employment.

The weights that States place on the different performance measures also have some effect on the types of services provided. SDAs in States that weight the cost-per-entered-employment standard more heavily provide significantly shorter training, suggesting that some SDAs react to the cost standard by reducing the intensity of services. On the other hand, placing greater weight on the wage-rate standard, a measure of job quality, significantly reduces the amount of OJT and significantly increases the amount of classroom training in occupational skills.

Results for Youth. Table 24 presents the estimated impact of State policies on the types of services received by youth in JTPA programs. Use of the DOL adjustment models significantly reduces the amount of job-search assistance provided for youth and increases the amount of basic skills training provided, although not significantly. Procedures to adjust beyond the model do not significantly affect the types of services for youth, although, as with adults, they have an unexpectedly negative impact on the length of program participation.

SDAs in States that place greater emphasis on exceeding standards in their incentive policies provide significantly less basic skills training for youth. However, these SDAs also provide significantly less job-search assistance (including pre-employment/work maturity training) and significantly more classroom training in occupational skills. This pattern suggests that policies emphasizing exceeding the standards intensify the employment focus of the youth program. This is consistent with the finding reported earlier that such policies lead SDAs to focus their youth programs on older youth. Policies emphasizing exceeding standards also lead to significantly shorter program services for youth (perhaps because in-school programs tend to be a semester in length while out-of-school programs are often shorter).

SDAs in States that have policies for serving welfare recipients offer significantly more basic skills training; SDAs in States with policies for dropouts offer significantly less work experience and significantly more job-search assistance. Again, the latter effect may be because SDAs are "making room" for serving the more expensive dropouts. As with adults, State policies emphasizing service to dropouts lead to significantly longer services.

SDAs in States that place greater weight on the cost-per-positive-termination standard provide significantly more job-search assistance to youth, which is the least expen- sive service, as discussed below. The weight placed on the youth entered-employment-rate standard, however, has no significant impact on program services.

Summary of Impact of State Policies. State performance-standards policies do have significant impacts on program services. In general, policies that adjust standards (that is, use of models or additional adjustment procedures) tend to reduce the amount of job-search assistance and slightly increase basic skills remediation, although the impact on the length of training is unclear. State incentive policies that emphasize exceeding standards significantly reduce the amount of basic skills training and increase the amount of classroom training in occupational skills for both adult and youth. The results suggest that these policies increase the employment focus of JTPA programs.

Placing greater weight on the cost standards tends to reduce the intensity of JTPA services. Policies that place more weight on the adult cost standard are associated with shorter programs, and policies that place more weight on the youth cost standards tend to increase the amount of job-search assis-

Table 24

Estimated Impact of State Policies on Percentage of JTPA Services in Various Program Activities—Youth

(Standard Errors in Parentheses)

	Job-Search Assistance (Including Pre-employment/ Work Maturity)	Basic Skills	Classroom Training-Occupational Skills	OJT	Work Experience	Tryout Employment	Average Length of Participation
Use of model (number of standards for which model used)	-1.15** (0.77)	0.65 (0.46)	-0.10 (0.56)	-0.25 (0.46)	0.78 (0.65)	0.51 (0.82)	0.06 (0.23)
Adjustment procedures specified in policy	-1.38 (2.68)	-0.48 (1.60)	1.49 (1.97)	-0.15 (1.59)	0.75 (2.26)	-2.15 (2.87)	-1.86** (0.82)
Emphasis on exceeding standards in 6% policy	-3.48** (1.45)	-2.83*** (0.87)	3.45*** (1.07)	0.86 (0.86)	1.47 (1.22)	1.57 (1.56)	-1.04** (0.44)
Use of 6% for hard to serve	-0.24 (2.80)	-3.23* (1.68)	0.64 (2.06)	-1.62 (1.66)	2.58 (2.36)	2.02 (3.01)	0.60 (0.84)
Policy for serving welfare recipients	1.05 (2.73)	5.10*** (1.63)	-1.05 (2.01)	-1.55 (1.62)	0.85 (2.34)	-3.17 (2.98)	-1.28 (0.82)
Policy for serving dropouts	6.13* (3.13)	-0.50 (1.87)	1.45 (2.31)	-2.92 (1.86)	-6.31** (2.64)	2.61 (3.16)	3.71*** (1.01)
Incentive weight on cost-per-positive-termination standard (%)	0.56** (0.24)	0.00 (0.14)	-0.27 (0.18)	0.04 (0.14)	-0.01 (0.20)	0.04 (0.26)	0.17 (0.07)
Incentive weight on entered-employment-rate standard (%)	0.00 (0.19)	-0.07 (0.11)	-0.15 (0.14)	0.10 (0.11)	0.15 (0.16)	-0.03 (0.20)	-0.06 (0.06)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

tance provided youth. However, placing greater weight on wage-rate standard, a measure of job quality, significantly reduces OJT and increases classroom training in occupational skills.

State policies for serving welfare recipients (including additional State standards) increase the amount of basic skills training for both adults and youth. State policies for serving dropouts result in longer program services for both adults and youth, although these policies also increase the amount of job-search assistance provided.

Impact of PIC and LEO Influence and Concerns on Services

Results for Adults. Table 25 presents the estimated impacts of PIC and LEO influence and concerns on the types of program activities provided to adults in JTPA programs. Although the effects are not large, the pattern is consistent with that observed for enrollment of hard-to-serve clients. Specifically, PICs that are more influential in program design are associated with a significant increase in basic skills training. In contrast, PICs that are more influential in contracting process are associated with a significant increase in OJT services for adults. In general, PICs have a greater influence than LEOs.

The effects on services of the PIC and LEO concern about performance are also similar to those reported for enrollment of hard-to-serve groups. Concern about performance relative to the SDA's own standards has a relatively small and not significant impact on the types of program activity and, in fact, is associated with a significant increase in the length of program participation. Concern about performance relative to other criteria, such as performance of other SDAs in the State, however, is associated with significantly less basic skills training for adults.

Results for Youth. Table 26 presents the estimated impacts of PIC and LEO concerns and influence on services for youth. As with the results for client groups, the pattern is less clear for youth than for adults. PICs that are influential in contracting are associated with a significant increase in OJT services, as was observed for adults. However, LEOs that are influential in program design are associated with a significant increase in job-search assistance and, unexpectedly, a decrease in work experience.

PICs and LEOs that are very concerned about performance relative to the SDA's own standards are associated with significantly less basic skills training for youth and significantly more classroom training in occupational skills. This may again be a reflection of the belief that it is easier to meet standards in employment-oriented programs for youth.

Summary of Impact of PIC and LEO. The impact of PIC influence on service provided is similar to that pattern found for the PIC influence on clients: PICs that are influential in program design are associated with greater provision of basic skills training, services appropriate for some hard-to-serve clients; PICs that are influential in contracting are associated with greater provision of OJT to both adults and youth, services appropriate for easier-to-serve clients. Furthermore, PIC and LEO concern about performance relative to other criteria, such as performance of other SDAs in the State, is associated with less basic skills training for adults, although PIC and LEO concern about performance relative to the SDA's own standards increases the employment focus of the youth programs.

Impact of SDA Client Goals on Services

As we discussed in Chapter V, planning goals for the types of clients to be served are hypothesized to affect the types of program services offered. Table 27 presents the estimated impacts of SDA client goals on program services for both adults and youth.

Table 25

Estimated Impact of PIC and LEO Concerns and Influence on Percentage of Services in Various Program Activities—Adults

(Standard Errors in Parentheses)

	Job-Search Assistance	Basic Skills	Classroom Training-Occupational Skills	OJT	Average Length of Participation
PIC influence on program design	-0.66 (1.88)	1.89** (0.89)	-1.16 (1.68)	-2.48 (1.57)	0.02 (0.59)
PIC influence in contracting	0.42 (1.59)	0.02 (0.75)	-0.06 (1.42)	2.60* (1.33)	-0.31 (0.50)
LEO influence on program design	1.59 (1.79)	-0.53 (0.84)	-0.48 (1.60)	0.42 (1.49)	-0.03 (0.59)
LEO influence in contracting	-0.99 (1.50)	0.65 (0.71)	2.40* (1.34)	-1.13 (1.25)	0.09 (0.48)
PIC and LEO concern about performance					
— Relative to standards set by State	0.74 (1.75)	-0.06 (0.83)	0.53 (1.57)	-1.70 (1.46)	1.06* (0.55)
— Relative to other criteria	-2.27 (2.08)	-1.71* (0.98)	0.15 (1.86)	1.82 (1.73)	0.50 (0.65)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

Table 26

Estimated Impact of PIC and LEO Concerns and Influence on Percentage of Services in Various Program Activities—Youth

(Standard Errors in Parentheses)

	Job-Search Assistance (Including Preemployment/ Work Maturity)	Basic Skills	Classroom Training-Occupational Skills	OJT	Work Experience	Tryout Employment	Average Length of Participation
PIC influence on program design	1.25 (1.93)	1.46 (1.16)	-1.54 (1.43)	-1.33 (1.15)	1.32 (1.63)	-2.31 (2.08)	0.33 (0.60)
PIC influence in contracting	-1.31 (1.63)	-0.44 (0.97)	0.82 (1.20)	1.98** (0.97)	-1.09 (1.37)	-1.76 (1.74)	-0.72 (0.50)
LEO influence on program design	3.40* (1.87)	-0.20 (1.12)	-0.03 (1.38)	0.84 (1.11)	-2.73* (1.58)	-1.14 (2.01)	0.38 (0.60)
LEO influence in contracting	-0.26 (1.55)	0.09 (0.93)	0.82 (1.14)	0.20 (0.92)	1.27 (1.31)	0.05 (1.67)	-0.39 (0.48)
PIC and LEO concern about performance							
— Relative to standards set by State	-1.24 (1.78)	-1.77* (1.07)	2.29* (1.31)	-1.25 (1.06)	0.99 (1.50)	1.10 (1.91)	0.75 (0.56)
— Relative to other criteria	-3.13 (2.13)	0.42 (1.27)	-1.56 (1.57)	0.69 (1.26)	0.40 (1.79)	0.75 (2.28)	0.65 (0.66)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

Table 27

Estimated Impact of SDA Client Policies on the Percentage of Services in Various Program Activities

(Standard Errors in Parentheses)

Adults	Job-Search Assistance	Basic Skills	Classroom Training-Occupational Skills	OJT	Average Length of Participation
SDA established procedures to recruit and enroll					
Welfare recipients	3.00	-0.08	1.51	-2.61	-0.24
	(2.51)	(1.22)	(2.26)	(2.15)	(0.82)
Dropouts	-0.98	2.16**	-2.91	1.22	0.32
	(2.11)	(1.02)	(1.90)	(1.81)	(0.68)
Clients with other barriers to employment	9.94***	-0.14	-7.98***	-1.92	-1.96***
	(2.27)	(1.10)	(2.04)	(1.94)	(0.75)

Youth	Job-Search Assistance (Including Preemployment/ Work Maturity)	Basic Skills	Classroom Training-Occupational Skills	OJT	Work Experience	Tryout Employment	Average Length of Participation
Welfare recipients	-0.75	1.43	4.50***	1.56	-3.17*	-1.76	0.19
	(2.23)	(1.33)	(1.63)	(1.34)	(1.89)	(2.41)	(0.69)
Dropouts	2.17	4.27***	-0.62	-0.66	0.17	-1.12	0.18
	(2.50)	(1.49)	(1.84)	(1.50)	(2.12)	(2.70)	(0.81)
Clients with other barriers	5.43**	-2.01	-3.00*	0.37	0.88	-1.95	0.52
	(2.31)	(1.38)	(1.70)	(1.38)	(1.96)	(2.50)	(0.74)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

Results for Adults. For adults, SDAs with policies to recruit and enroll welfare recipients do not provide a significantly different mix of services, but SDAs that target dropouts provide significantly more basic skills training, a service very appropriate for that group.

SDAs that target individuals with other barriers to employment provide significantly more job-search assistance and less classroom training in occupational skills. This result is consistent with our case studies finding that SDAs often conduct job-placement services for offenders leaving prison and also help develop appropriate jobs for handicapped individuals. Primarily because of the increased reliance on job-search assistance, the average length of participation is approximately 2 weeks shorter in SDAs that target individuals with other barriers to employment.

Results for Youth. SDAs that specifically target youth welfare recipients offer significantly more classroom training in occupational skills, while those that target youth dropouts offer significantly more basic skills training. As is the case for adults, targeting those with other barriers to employment is associated with significantly more job-search assistance and significantly less classroom training in occupational skills.

Summary of Impact of Client Goals. These results indicate that there are significant relationships between the SDA goals for clients and the types of services offered. Generally, the results suggest that SDAs choose program services appropriate to the needs of the targeted clients; for example, SDAs that target dropouts provide more basic skills training. This important relationship between client goals and services provided is explored more in depth in the qualitative analysis.

Program Costs

The third outcome investigated in this evaluation is program costs, including expenditure rates. We measure program costs as the average amount spent per terminee, as calculated from the JASR data.* In PY 86, the average cost per terminee is $2,123 for adults and $1,924 for youth. We calculated expenditure rates from the SDA survey data; the average expenditure rate is 81%.

Impact of State Policies on Costs

The estimated impacts of State performance-standards policies on adult and youth costs per terminee and on expenditure rates are presented in Table 28.** The adjustment models are intended to allow SDAs to spend more for hard-to-serve clients. However, the use of the DOL models does not significantly affect program costs for adults or youth. Use of the models does significantly increase expenditure rates perhaps because SDAs are less averse to taking risks in their funding decisions. For example, SDAs in a State that uses the model for all seven standards are estimated to expend 6.4% more of their available funds than SDAs in States that do not use the models for any standard.

State policies that specify procedures for adjustments beyond the model significantly increase program costs for both adults and youth. This may be because SDAs are granted adjustments to their cost standards or because SDAs are more willing to risk providing more expensive services if an adjustment mechanism is in place should they have trouble meeting their cost standards. Adjustment procedures, however, are unex-

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*It is beyond the scope of this study to investigate SDA performance as an outcome. Nonetheless, we also examined the effects of policies and practices on the cost per entered employment and cost per positive termination. The pattern of results is very similar to the results present for costs per terminee.

**The fraction of the variation explained by these initial models is .20 for adult costs, .11 for youth costs, and .13 for expenditure rates.

Table 28

Estimated Impacts of State Policies on Cost per Terminee and Expenditure Rates

	Adult Cost Per Terminee	Youth Cost Per Terminee	Expenditure Rates
Use of model (number of standards for which model used)	-14.3 (22.7)	6.2 (22.2)	0.9** (0.4)
Adjustment procedures specified in policy	212.5*** (72.1)	124.3* (72.3)	-2.8* (1.5)
Emphasis on exceeding standards in 6% policy	111.1** (44.6)	66.3 (42.2)	-1.4* (0.9)
Use of 6% for hard to serve	41.1 (78.0)	73.9 (81.0)	1.0 (1.6)
Expenditure rates incorporated into 6% award	—	—	1.3 (1.6)
Incentive weight on adult cost-per entered-employment standard (%)	-3.0 (5.9)	—	-0.1 (0.2)
Incentive weight on youth cost-per-positive-termination standard (%)	—	-3.6 (6.0)	0.2 (0.2)
Incentive weight on adult wage standard (%)	8.3 (7.0)	—	—
Incentive weight on youth entered-employment-rate standard (%)	—	0.7 (5.3)	—

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

pectedly associated with lower expenditure rates, perhaps because of delays in funding projects requiring adjustments.

Earlier results indicated that State incentive policies that emphasize exceeding performance standards reduce service to several hard-to-serve groups, reduce provision of basic skills training, and increase provision of classroom training in occupational skills. The results in Table 28 indicate that policies emphasizing exceeding standards do not reduce costs per terminee but in fact increase costs, significantly so for adults. This pattern suggests that SDAs with strong incentives to exceed their standards focus their programs on easier-to-serve groups but provide training in more expensive employment-oriented services. These policies, however, do not significantly increase either cost per entered employment or cost per positive termination, the cost measures that are rewarded with incentive funds.*

SDAs in States with policies that emphasize exceeding standards do expend significantly lower amounts of their available funds, perhaps because they are more cautious in committing funds to programs that may not perform well. However, these effects are not large. For example, SDAs in a State with a high score on this index are estimated to expend 2% less of their funds than SDAs in States that score low on this index. State policies that incorporate expenditure rates into the incentive payments have only a small impact on expenditure rates that is not statistically significant.

Surprisingly, the weights placed on the cost standards in incentive policies do not significantly reduce costs per terminee (nor do they reduce cost per entered employment or cost per positive termination). Furthermore, these weights do not affect expenditure rates.

In summary, State performance-standards policies have fewer impacts on program costs and expenditure than on clients or services. Use of the model significantly increases expenditure rates. Adjustment procedures significantly increase the amount spent per terminee for both adults and youth, although unexpectedly decrease expenditure rates. The emphasis on exceeding standards actually increases the amount spent per terminee, significantly so for adults, suggesting that such policies lead SDAs to spend more on employment-oriented programs for less hard-to-serve clients. As discussed below, one reason that performance-standards policies have fewer effects on program costs is that there are serious problems in the comparability of measured costs among SDAs because of differences in the extent to which JTPA funds are leveraged with other funds.

Impacts of PIC and LEO Concerns on Costs

The estimated impacts of PIC and LEO concerns and influence on program costs are presented in Table 29. Again, these factors have less influence on program costs than on other outcomes. The PIC and LEO influences have no significant impact on program costs. We do find that PICs and LEOs that are concerned about performance relative to standards tend to be associated with higher costs, significantly so for youth, and those concerned about performance relative to other criteria tend to be associated with lower costs, although the latter effects are not statistically significant.

Directors were also asked about the extent to which PICs and LEOs were concerned about expending their available funds, and the results indicated that this concern is translated into significantly higher expenditure rates for the SDA.

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*Policies emphasizing exceeding standards are estimated to increase cost per entered employment by $70 and the costs per positive termination by $4. Neither effect is significant.

Table 29

Estimated Impacts of PIC and LEO Concerns and Influence on Cost per Terminee and Expenditure Rates

	Adult Cost Per Terminee	Youth Cost Per Terminee	Expenditure Rates
PIC influence on program design	-31.3 (57.9)	-21.8 (58.0)	0.9 (1.1)
PIC influence in contracting	-16.3 (48.8)	0.8 (48.6)	-0.3 (1.0)
LEO influence on program design	-37.0 (58.0)	16.1 (58.2)	-0.3 (1.1)
LEO influence in contracting	43.1 (46.6)	-15.3 (46.3)	-0.8 (0.9)
PIC and LEO concern about performance			
— Relative to standards set by State	44.8 (54.4)	97.5* (53.4)	0.6 (1.1)
— Relative to other criteria	-54.2 (63.4)	-50.7 (63.1)	-0.0 (1.3)
PIC and LEO concern about expending funds	—	—	2.0** (0.9)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

Impacts of Service-Provider Arrangements on Costs

The next step in the analysis is to examine the impact of service-provider arrangements on program costs. An important issue for this evaluation is whether program costs reported by the SDAs reflect the true costs of the services provided to JTPA participants. The hypothesis to be tested is that many SDAs leverage JTPA Title II-A funds with other resources so that the costs reported on the JASR represent only part of program costs.

Although such leveraging may be a very valuable practice, the implication for the performance-standards system is that differences in costs among SDAs may reflect differences in the availability of alternative funds to leverage with JTPA funds rather than differences in management quality. If costs across SDAs are not comparable, then awarding incentives based on exceeding the cost standard may introduce serious inequities into the performance-standards system.

Directors were asked the percentage of their participants that were dual enrolled in other JTPA programs and the percentage that participated in programs that were also funded by other agencies. As shown in Table 30, the total percentage of participants receiving alternative funding is associated with lower reported program costs, significantly so for youth. SDAs were also asked about their expenditures in other JTPA programs (for example, Titles II-B and III). SDAs that administer large JTPA programs in other titles also have significantly lower reported Title II-A costs.

SDAs' choice of service providers also affects program costs, and some of these differences also reflect the extent that providers are subsidized by other sources. Programs provided directly by the SDA are more costly, significantly so for youth programs. In contrast, providers that are public agencies, including schools and the employment service, are associated with lower reported costs to JTPA programs, although only the effect of the employment service on adult costs is statistically significant. Use of CBOs and for-profit providers have inconsistent impacts on program costs.

The extent to which SDAs use performance-based contracts has virtually no impact on the cost per terminee for either adults or youth. As we discuss in the qualitative analysis, we found that SDAs have used a variety of mechanisms to build performance expectations into both performance-based and cost-reimbursement contracts to reduce program costs.

The results in this section provide quantitative support for the hypothesis that some of the measured differences in program costs across SDAs reflect differences in the extent to which JTPA Title II-A funds are leveraged with other resources. These results indicate that the measured program costs may misrepresent both the total resources used to train JTPA participants and the differences in cost-effectiveness among SDAs. This issue is discussed further in the qualitative analysis.

Impact of Program Activities on Costs

The next step is to examine the relationship between program costs and the other two outcomes of this study, clients and services. As discussed previously, we believe that the strongest direction of causation is that the program activities offered affect the types of clients enrolled and that both of these factors affect the actual cost incurred by the program.

We first examine the impact of program activities on program costs, presented in Table 31 The effects presented represent the estimated impact of increasing the percentage of services in each activity relative to providing classroom training in occupational skills, the reference group. Job-search assistance is significantly less costly for both adults and youth than classroom training in occupational skills. For example, a program

Table 30

Estimated Impacts of Service-Provider Arrangements on Costs

	Adult Costs Per Terminee	Youth Costs Per Terminee
Percentage of participants receiving funding from other programs or other JTPA sources	-2.6 (1.6)	-2.6* (1.6)
Expenditures in other JTPA programs as percentage of Title II-A 78% expenditures	-2.8* (1.7)	-3.2** (1.6)
Proportion of program activities provided by		
SDA itself	60.4 (123.3)	201.5* (119.6)
Public schools (including community colleges)	-158.2 (177.3)	-57.4 (173.8)
Employment service and other government agencies	-363.2** (143.5)	-40.6 (142.7)
Community-based organizations	-103.9 (117.3)	117.8 (117.2)
For-profit organizations	181.1 (139.8)	-29.3 (138.6)
Percentage of expenditures in performance-based contracts	0.7 (1.5)	-0.0 (1.5)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

Table 31

Estimated Impacts of Program Activities on Costs per Terminee

	Adult Costs Per Terminee	Youth Costs Per Terminee
Percentage of participants services in activities (compared with classroom training with occupational skills)		
Job-search assistance	-13.3*** (2.3)	-12.5*** (2.8)
Basic skills	-4.3 (4.1)	-9.2** (3.6)
OJT	-5.8** (2.8)	-3.3 (4.0)
Work experience	-3.1 (5.3)	-4.2 (2.8)
Tryout employment	—	-10.2*** (2.6)
Percentage of expenditures in supportive services	18.7*** (7.5)	19.4** (7.7)
Average weeks participated	8.2 (5.3)	3.8 (5.0)

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

that is composed only of job-search assistance is estimated to cost $1,330 less than a program composed only of classroom training in occupational skills. Basic skills training is somewhat less expensive than occupational skills training, significantly so for youth. Because basic skills training is often provided by public schools for youth, this result may again reflect the leveraging of JTPA funds with other resources. OJT is also less expensive to provide, particularly for adults. For youth, tryout employment is also significantly less expensive than classroom training in occupational skills.

The percentage of SDA expenditures in supportive services significantly increases the amount spent per terminee. Thus, SDAs that provide support costs to participants do not simply reduce the amount spent in training but instead incur higher total costs.

Finally, the average length of program participation has no significant impact on program costs. As discussed in the qualitative analysis, we found that several SDAs in our site visit sample paid tuition costs for participants receiving long-term training in community college programs, institutions that receive substantial State funding. Thus, the lack of a relationship between length of participation and costs is probably due to the leveraging of JTPA funds in long-term programs.

In summary, the results indicate that program activities significantly affect the costs per terminee in JTPA programs. For adults and youth, the most expensive service is classroom training in occupational skills and the least expensive is job-search assistance.

Impact of Clients on Costs

Table 32 presents the estimated impacts of serving different clients on program costs. These effects are estimated while controlling for the other factors examined for costs, including State performance-standards policies, PIC and LEO influence, service-provider arrangements, and program activities offered.* After accounting for all these factors, the types of clients served have relatively little impact on program costs. For adults, we observe only two significant effects: SDAs that serve more individuals who have been out of the labor force at enrollment incur higher costs, and SDAs that serve more dropouts spend significantly less per terminee. The latter effect is surprising. SDAs may leverage funds more for dropouts, for example, by using public schools. However, some SDAs may be providing less intensive services to dropouts, such as job-search assistance. Both strategies were observed in our case studies.

For youth, there are more significant differences. SDAs serving more youth welfare recipients spend significantly more per terminee. Serving in-school youth, particularly those under 16, appears to be significantly less expensive to the JTPA system, probably because of heavy reliance on schools as providers. We also find that SDAs serving more youth who are dropouts spend less per terminee, similar to the result for adults.

Summary and Conclusions

This chapter examined the impact of State and SDA policies and practices on JTPA services and costs. Several State policies were found to affect the types of services offered by SDAs:

- Adjustment procedures. Use of the DOL models significantly increases the length of adult programs and reduces the amount of job-search assistance provided to youth. State policies that specify procedures for additional adjustments significantly increase provision of basic skills train-

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*The characteristics of the eligible population were not included in this model because those variables were highly correlated with the characteristics of clients actually served.

Table 32

Estimated Impacts of Terminees with Various Characteristics on Costs per Terminee

	Adult Costs Per Terminee	Youth Costs Per Terminee
Welfare recipients	1.4 (3.1)	6.2* (3.2)
Dropouts	-10.7** (5.1)	-8.0* (4.6)
In school	—	-14.3*** (4.2)
Minorities	-0.1 (2.2)	2.5 (1.8)
Females	1.9 (4.4)	1.1 (5.6)
Other barriers to employment	-1.5 (3.7)	3.8 (3.1)
Ages 30 to 54	5.6 (6.0)	—
Ages 55 or older	-4.9 (8.7)	—
Ages 14 to 15	—	-9.4* (4.8)
Ages 18 to 21	—	-6.5* (3.6)
Not in labor force	5.7* (3.4)	—
Unemployed 15 weeks or more	1.7 (2.2)	—

* Statistically significant at .10 level.
** Statistically significant at .05 level.
*** Statistically significant at .01 level.

ing to youth and reduce job-search assistance but have an unexpected negative impact on the length of participation.

- Emphasis on exceeding standards. State policies that emphasize exceeding standards lead SDAs to provide less basic skills training and more classroom training in occupational skills for both adults and youth. For youth, these policies also reduce pre-employment/work maturity training and reduce the average length of program participation.
- Weights on different standards. State incentive policies that place greater weight on cost standards reduce the average length of services for adults and increase the provision of pre-employment/work maturity training for youth. Emphasis on the wage-rate standard, a measure of job quality, significantly reduces the amount of OJT provided and increases the amount of classroom training in occupational skills.
- State policies for hard-to-serve groups. State policies for serving welfare recipients significantly increase the amount of basic skills training offered for both adults and youth and reduce the amount of OJT, significantly so for adults. State policies for serving dropouts significantly increase the average length of services for both adults and youth. State policies for serving dropouts also increase the provision of job-search assistance, reducing OJT for adults and work experience for youth.

The results of the previous chapter demonstrated that the types of program service have significant effects on the types of clients enrolled in JTPA programs. These results, which show that State policies affect the types of services provided, indicate that the types of services offered are important mechanisms through which performance-standard policies affect clients.

As was the case for clients served, the effects of performance standards on services are significant and of policy importance but not so large as to preclude provision of services for which employment is not the immediate outcome. For example, on average, SDAs serve 7.0% of their adult clients in basic skills training and 31.8% in classroom training in occupational skills.

An average SDA in a State with an incentive policy that places a low emphasis on exceeding standards is estimated to serve 8.1% of adults in basic skills and 30.1% of adults in classroom training in occupational skills. A similar SDA in a State that places a strong emphasis on exceeding standards is estimated to serve 5.2% of adults in basic skills training and 34.6% of adults in classroom training in occupational skills.

SDA characteristics and practices also affect the type of services offered:

- PIC and LEO influence. A pattern similar to that observed for clients is evident for services. PICs that see their role as guiding the design of the program are associated with increased basic skills training for adults, while PICs that are more involved in contracting are associated with significantly more OJT services for both adults and youth. PICs and LEOs concerned with performance relative to the SDA's own standards are associated with significantly longer program services for adults but with a stronger employment focus for youth. PICs and LEOs concerned about performance relative to other criteria, such as comparison with other SDAs in the State, are associated with significantly less basic skills training for adults.

- SDA policies for hard-to-serve groups. SDAs that have established specific procedures to recruit and enroll dropouts provide significantly more basic skills training for both adults and youth. Policies for serving those with other barriers to employment are associated with greater job-search assistance, probably because SDAs often conduct job development activities for offenders and the handicapped.

This chapter also examined the impact of State performance-standards policies on program costs and found that performance-standards policies have fewer effects on costs than on clients and services:

- Adjustment policies. Use of the DOL models has no significant effects on program costs, although State procedures to allow for adjustments significantly increase the amount spent per terminee for both adults and youth. Adjustment policies have an inconsistent impact on expenditure rates.
- Emphasis on exceeding standards. State policies that emphasize exceeding performance standards increase costs per terminee, significantly for adults. Thus, these policies lead SDAs to enroll easier-to-serve clients but to provide them with more classroom training in occupational skills, the most expensive service.
- Weights on different standards. The weight placed on the cost standard does not significantly affect cost per terminee or SDA performance on the cost standards.

One reason that there are fewer significant effects of performance-standards policies on program costs may be that some SDAs extensively leverage JTPA resources with other program resources. The ability to leverage resources may vary by State and thus confound our ability to distinguish the effects of State policies.

Several SDA practices also affect program costs:

- Service-provider arrangements. SDAs that dual enroll participants in other programs or receive direct funding from other programs report lower costs per terminee. Furthermore, SDAs that administer other large JTPA programs report lower Title II-A costs. The reliance on other public agencies as service providers also tend to lower program costs, although only the effect of using the employment service for adults is significant. The results provide quantitative support for the hypothesis that some of the differences across SDAs in reported costs reflect differences in leveraging JTPA fund with other resources. The use of performance-based contracts does not significantly affect program costs.
- Program services. The types of program services provided significantly affect program costs. For both adults and youth, job-search assistance is the least-expensive service and classroom training in occupational skills is the most expensive.
- Clients served. Controlling for the types of services provided, the types of clients served have only a small impact on the amount spent per terminee. For both adults and youth, SDAs that serve more dropouts spend less per terminee, perhaps because of leveraging of funds with other resources, such as public schools, or perhaps because they are given less intensive services.

Section C.
Qualitative Analysis

VII. Design of the Qualitative Analysis

Introduction

In this chapter, we summarize the design of the qualitative component of the study and describe how this component was structured to address a specific set of research concerns. The first section of the chapter reviews the various goals of the qualitative component. The next section describes the sampling strategy used to select the 8 States, 30 SDAs, and 87 service providers included in the case study data collection efforts. The third section of this chapter summarizes the types of respondents and outlines the topics covered in the onsite discussions in each case study site. The final section of this chapter describes the data analysis procedures that were used to distill the findings from the case study data.

Goals of the Qualitative Component

The qualitative component of the study has five major purposes:

- To explore the influence of the Federal performance-standards system on States and SDAs;
- To supplement the quantitative analysis in understanding how State performance-standards policies and practices influenced clients, services, and costs;
- To understand the mechanisms by which both the Federal and the State performance-standards policies influence clients, services, and costs;
- To identify how the performance standards interact with a number of other factors in influencing State, SDA, and service-provider behavior; and
- To address several additional study issues, including
  - How performance standards influence the public image of JTPA programs,
  - Whether the technical assistance on performance-standards issues has been adequate,
  - Whether the local adjustment

models are adequate,

- Whether the data collected for operating the JTPA system are of adequate quality, and whether the reporting burden is acceptable, and
- What impact States and SDAs are anticipating from the implementation of follow-up standards in PY 88.

The indepth discussions with State, SDA, and service-provider staff during the onsite visits to the case study sites offered the opportunity to trace how and why the performance standards affected program design and program implementation practices at all levels of the JTPA program.

Assessing the Influence of the Federal Standards

In assessing the influence of the Federal performance-standards system as a whole, we asked State and local staff, as well as State Job Training Coordinating Council (SJTCC) and PIC members, their opinions about the adequacy of the Federal standards in representing national program goals and about the influence of the Federal standards on State policy initiatives and SDA goal setting. At the service-provider level, there was little awareness of the Federal performance standards, so we traced how service providers were reacting to the performance expectations communicated to them by SDAs through goal statements and contract terms.

Supplementing the Quantitative Assessment of State Policy Influence

In tracing the different effects of varying State performance-standards policies, we were interested not only in describing the key variations in State policy, but also in understanding why States developed the policies that they did, how these policies were perceived by SDAs, and how the State policies shaped SDA and service-provider goals and practices.

Understanding the Mechanisms by Which the Standards Influenced Clients, Services, and Costs

In describing the mechanisms by which the Federal and State performance-standard policies influenced JTPA clients, services, and costs, we traced the chain of effects through a number of discrete design and implementation phases, including

- SDA goal statements about whom to serve.
- SDA program-design goals about the mix and intensity of services to offer,
- SDA goals about what levels they wanted to achieve on the standards,
- SDA and/or service-provider practices in screening and enrolling clients,
- SDA practices in selecting service providers and communicating performance goals and expectations to service providers, and
- SDA and/or service-provider practices relating to client placement and termination.

Identifying How the Standards Interacted with Other Factors

In describing how the performance standards interacted with other factors in influencing clients, services, and costs, we examined a number of factors, including

- Characteristics of the local environment, such as local SDA and service-provider goals and priorities, influence of historical service-delivery patterns dating back to the CETA program, local labor market conditions, and availability of different types of service providers; and
- Other State and Federal program regulations, such as equitable-service requirements for several subgroups, and the requirement to spend 40% of

all service expenditures on youth.

Case Study Design: Sampling Strategy

The design for the qualitative case studies was based on 3 nested samples, consisting of 8 States, 30 SDAs (4 SDAs in each of 7 sample States and 2 SDAs in the last State), and 87 service providers (an average of 3 providers in each SDA). The goals of the sampling design were

- To make the most effective use of limited resources, by clustering the study sites within a limited number of States,
- To ensure that all three samples (States, SDAs, and service providers) would be representative of the Nation, and
- To ensure that the SDA findings can be generalized from the SDA sample to the Nation.

To make each of the samples representative of the way in which the national JTPA funds have been expended, the probability of selection at each level was proportional to the amount of JTPA funds expended by the unit of observation. At the State and SDA levels, this was formally built into the sampling procedures: the probability that each State and each SDA was selected was proportional to its PY 86 funding allocation. At the service-provider level, we selected the service providers with the largest contracts within each of the relevant agency and service types.

State Sample

The State sample was stratified according to two dimensions of State policies that were hypothesized to be important to the SDA response to performance standards:

- The extent to which each State had policies or practices that emphasized services to hard-to-serve groups or population segments.
- The extent to which State 6% incentive award policies emphasized performance at the level of the standards versus performance in excess of the standards.

Within each cell, States were drawn randomly, with the probability of selection proportional to allocation level. However, to ensure geographic diversity, only one State in each region was included in the sample. The resulting State sample included California, Maryland, Massachusetts, Missouri, New Mexico, New York, North Carolina, and Ohio.

Exhibit 2 describes some of the relevant features of performance-standards policies in these eight States, including

- Whether the State has added additional performance standards beyond the Federal standards,
- How "meeting a standard" is defined,
- How "exceeding a standard" is defined,
- The number of standards required to be met before the SDA is eligible to receive any incentive awards,
- Whether particular standards are given more weight in the State formula for rewarding SDA performance,
- The extent to which 6% incentive funds are awarded for marginally exceeding the standards,
- Whether incentive awards are "capped" at some level of performance beyond which higher performance yields no additional award, and
- Whether performance on 6%-funded projects is considered to be excluded from the performance standards.

Exhibit 2 also shows the size of the funding allocation for PY 86 in each of the eight sample States (and the percentage of all JTPA funding) and the number of SDAs in each of the sample States (and the percentage

Exhibit 2
Characteristics of Case Study States in PY 86

State	State Standards	Definitions (1) Meet (2) Exceed	Eligibility for 6% Incentive	Weighting in 6% Formula	Extent to which Exceeding is Encouraged [a]	6% Funds Exempt from Standards	PY 86 Allocation (% of national)	Number of SDAs in PY 86 (% of SDAs nationwide)
CA	None[a]	1) at standard 2) above standard	Meet 5/7[d]	Equal	1) no cap 2) part competitive, (weighted) part not 3) 40%	Exempt	$189,597,776 (10.6%)	51 (8.2%)
MD	None	1) at standard 2) 2% above standard	Meet 5/7 Exceed 1/7 by 2%	AEER CEE WEER weighted heavily	1) capped at 110% 2) not competitive 3) 48%	No	$20,896,947 (1.2%)	10 (1.6%)
MA	1) Indirect placement 2) Split YPTR, YEER: employment and remediation programs calculated separately 3) 30% of 6% is awarded based on success in serving dropouts and minorities	1) above lower tolerance limit 2) above upper tolerance limit	Exceed 1/7	AWP 36.4% AEER 25% WEER 14.3% YEER and YPTR 10.7% CEE and CPT 3.6%	1) capped at 115% 2) competitive 3) 48%	Exempt	$27,706,317 (1.6%)	15 (2.4%)
MO	None[b]	1) at standard 2) above standard	Average ratio of performance to standards >100%	AEER 20% YEER and CPT 10% Others 15%	1) no cap 2) weighted 3) 0%	No	$33,249,122 (1.9%)	15 (2.4%)
NM	% achievement of spendout and enrollment goals for adults and youth	1) at standard 2) above standard	Meet 5/7 Must meet AEER, WEER andYPTR	Federal equal, State standards less important than Federal	1) capped at 110% 2) capped by allocation 3) 0%	No	$11,703,739 (0.7%)	3 (0.5%)
NY	42.5% of 6% is awarded based on outcomes for HTS	1) at standard 2) above standard	Average ratio of performance to standards <100%, not fail by more than 20%	Equal	1) capped at 110% 2) capped by allocation, but residual to overachievers 3) 62%	No	$122,489,036 (6.9%)	34 (5.5%)
NC	None	1) at lower tolerance level 2) above lower tolerance level	Meet 4/7	Equal	1) capped at 115% 2) limit for each SDA 3) 90%	No	$37,703,148 (2.1%)	26 (4.2%)
OH	Linkages with other agencies[c]	1) above lower tolerance level 2) above upper tolerance level	Meet 7/7 Exceed 1/7	Equal	1) weak incentive beyond upper tolerance range 2) weighted 3) 70%	Exempt	$91,248,345 (5.1%)	30 (4.8%)

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[a] Beginning in PY 87, optional YPTR standard for high-risk youth.

[b] Beginning in PY 87, service levels to AFDC and dropouts are multipliers in the formula for 6% incentive funds.

[c] Beginning in PY 88, service to welfare.

[d] Beginning in PY 88, meet 7/7.

[e] Consists of several factors:
1) whether excess performance beyond some limit (cap) is rewarded.
2) whether competitive, somewhat competitive (e.g., weighted by allocation) or not competitive (e.g., capped by allocation).
3) percentage of PY 86 award given to the basis of marginally exceeding the standard.

of all SDAs in the Nation).

SDA Sample

Within each of the sample States, four SDAs were selected (except in New Mexico, where two of the three SDAs in the State were selected). As part of the selection process, all SDAs within each State were rank ordered by a summary index of their performance level in PY 85.* New York City was excluded from the sampling frame in New York, as was The Navajo Nation in New Mexico, because these SDAs are too unique to be representative of the Nation as a whole. After the sampling frame was prepared, one SDA was randomly selected from each performance quartile, with the probability of selection proportional to the level of the SDA's PY 86 expenditures. In two States, the initial samples were discarded and redrawn because the initial sample did not result in sufficient geographic distribution within the State.

The resulting sample of 30 case study SDAs is shown in Table 33, along with additional information about each SDA, including

- The PY 86 funding allocation,
- Total number of adult and youth terminees in PY 86,
- The number of counties in the SDA,
- The type of administrative entity (government, incorporated PIC, or nonprofit organization),
- The percentage of PY 86 expenditures using performance-based contracts, if known, and
- Unemployment rate (PY 86).

The case study sample of SDAs also exhibited some variation in the extent to which they were successful in meeting the PY 86 standards. Twenty-three of the SDAs in the sample had met all seven Federal performance standards in PY 86. Of the seven case study SDAs that had missed at least one standard, only one SDA was under threat of sanctions (for failure to meet four standards). One additional SDA had failed to meet two standards, while the remaining five SDAs had missed only a single standard.

Table 34 compares the case study SDAs and the full sample of SDAs. The performance of the case study SDAs is very similar to all SDAs on all the youth standards and on all the adult standards except the average wage at placement, where the case study SDAs achieved higher than average performance. In part, this is a reflection of somewhat high average wage levels in the local economy. The major difference in the types of clients served is that the case study SDAs served substantially more minorities, which is largely a reflection of a substantially higher percentage of minorities in the eligible population in the case study sites than average. Differences in the other characteristics of the local area are minor. The types of program services offered by the case study SDAs are very similar to the average program services of all SDAs. Overall, the case study SDAs are quite representative of all SDAs. Those differences that occur generally reflect differences in the local area characteristics rather than differences in SDA behavior.

Service-Provider Sample

A sample of three service providers in each SDA was drawn by the field researcher conducting the site visit at the time the site visits were being arranged. In selecting providers, the objectives were

- To ensure a range of variation in the types of providers sampled in that

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*The performance index was constructed by comparing each SDA's actual performance on each of the seven Federal standards with its expected performance generated by the DOL local adjustment model. The difference between the actual and expected performance was measured in standard deviations. The index was the average of this difference score across all seven standards.

Table 33
Case Study SDA Matrix

	SDA Name	State	Number of Adult Terminees	Number of Youth Terminees	PY 86 Allocation	Administrative Entity*	Percentage of Expenditures Using Performance-Based Contracts	Number of Counties	Unemployment Rate
1	Inyo/Kern/Mono Consortium	CA	1,616	723	4,800,000	G	12	3	11.4
2	Balance of LA County	CA	2,930	2,381	16,625,792	G	80	1	6.4
3	Balance of Orange County	CA	1,432	1,320	3,800,000	G	?	1	3.5
4	Sonoma County	CA	281	165	1,532,430	G	?	1	5.2
5	Baltimore Consortium	MD	4,737	3,289	6,872,472	G	20	4	5.4
6	Baltimore County	MD	761	438	2,671,570	G	28	1	4.1
7	Montgomery County	MD	86	75	392,004	O	22	1	2.4
8	Prince Georges County	MD	417	328	1,041,488	P	?	1	3.4
9	Boston City	MA	1,447	969	3,008,040	G	97	1	4.3
10	Briston Consortium	MA	440	267	2,252,592	G	?	1	5.5
11	Brockton Area Consortium	MA	256	153	900,884	N	0	1	4.2
12	Franklin/Hampshire Consortium	MA	190	104	877,350	G	0	2	3.4
13	Missouri 15 (Franklin/ Jefferson Consortium)	MO	366	203	1,366,173	N	83	2	8.6
14	Missouri 3 (Kansas City Consortium)	MO	957	1,293	2,498,441	N	?	4	5.3
15	Missouri 10 (Butler-Wright Consortium)	MO	813	513	1,869,056	N	69	12	9.3
16	Missouri 4 (Bates-Vernon Consortium)	MO	241	284	1,132,068	P	30	13	5.7
17	Allegheny/Cattaragus/ Chattanuga Consortium	NY	483	445	1,702,549	G	?	3	7.2
18	Saratoga/Warren/Washington Consortium	NY	318	334	1,116,179	G	8	3	5.1
19	Syracuse City	NY	213	262	1,281,563	G	?	1	7.0
20	Yonkers City	NY	125	34	774,746	G	?	1	4.4
21	Centralina Consortium	NC	809	411	2,301,710	O	0	6	4.7
22	Gaston County	NC	519	266	722,288	G	0	1	4.4
23	Wake/Johnston Consortium	NC	263	399	921,962	G	3	2	3.3
24	City of Winston-Salem	NC	306	140	751,800	G	0	1	4.1
25	Albuquerque/Bernalillo County	NM	423	592	1,767,323	G	0	1	6.4
26	Balance of NM Consortium	NM	1,203	905	7,151,000	G	0	31	10.9
27	Ohio 10 (Belmont-Washington Consortium)	OH	829	590	2,863,323	G	0?	7	11.4
28	Cleveland City	OH	2,280	1,414	6,161,822	G	51	1	10.8
29	Ohio 3 (Crawford-Wyandot Consortium)	OH	316	357	1,556,553	P	3	4	8.3
30	Trumbull County	OH	324	271	1,815,728	P	44	1	11.0

KEY: G = Governmental unit, P = Incorporated PIC, N = Nonprofit organization, O = Other type of organization

Table 34

Comparison of Case Study SDAs with all SDAs in PY 86

	Qualitative Sample *	Full Sample*
PY 86 Performance		
Adult		
Entered-employment rate	72%	72%
Average wage at placement	$5.32	$5.08
Cost per entered employment	$3,370	$3,368
Welfare-entered-employment rate	63%	63%
Youth		
Entered-employment rate	55%	52%
Positive-termination rate	79%	80%
Cost per positive termination	$2,821	$2,759
PY 86 Terminee Characteristics		
Adult		
Welfare recipients	33%	29%
Dropouts	28	26
Minorities	57	45
Youth		
Welfare recipients	30	25
Dropouts	30	26
Minorities	63	52
Ages 18 to 21	63	62
Characteristics of Eligible Population		
Adult		
Welfare recipients	35	33
Dropouts	40	40
Minorities	42	34
Youth		
Welfare recipients	39	36
Dropouts	22	21
Minorities	47	39
Ages 18 to 21	53	52

continued on next page . . .

* Weighted by PY 86 expenditures.

Table 34 (Concluded)

	Qualitative Sample *	Full Sample*
Percentage of PY 86 Participants In Various Program Activities		
Adults		
Job-search assistance	24%	25%
Basic skills	6	7
Classroom training in occupational skills	36	32
OJT	28	28
Youth		
Job-search assistance (including pre-employment/work maturity)	21	23
Basic skills	13	11
Classroom training in occupational skills	21	17
OJT	14	13
Work experience	6	12
Tryout employment	19	17
Local Area Characteristics		
Unemployment rate	7.0	7.9
Population density (1,000 per square mile)	1.6	1.4
Percentage of families with income below poverty	10.6	10.8
Average earnings ($1,000's)	20.0	19.1

SDA (that is, educational institutions, community-based organizations, and other nonprofit or for-profit entities),

- To ensure a range of variation in the types of services provided in that SDA (that is, OJT, basic skills remediation, classroom training in occupational skills, work experience/tryout employment, job-search assistance, and programs oriented to in-school youth),
- To ensure a range of variation in the types of contracts used in the SDA (that is, cost reimbursement and performance based),
- To pick the contractor with the largest contract within each type of training, and
- To select service providers that were within a 2-hour drive of the city in which the SDA headquarters was located.

Because it was impossible to represent all types of services and providers with only three providers in each SDA, the service-provider sample was selected purposively rather than randomly. However, we were successful in generating a sample of 87 providers that represents all of the different types of services and providers across the 8 States and 30 case study SDAs. (In several SDAs, fewer than three service providers were interviewed because the SDA contracted with fewer than three entities for the provision of services.)

Rather than analyzing the service-provider sample separately, we integrated data from the service-provider sample into data from the SDA sample to inform the discussion of implementation practices and outcomes within each case study SDA. Exhibit 3 summarizes the service-provider sample and types of service providers across all eight States. The complete list of providers is presented in Appendix B.

Among 87 providers, 23 (26%) were public educational institutions; 7 (8%) were private educational institutions (3 of which were nonprofit and 4 of which were for-profit); 12 (14%) were other public agencies; 9 (10%) were SDAs offering one or more services directly; 20 (23%) were community-based organizations; 12 (14%) were other nonprofit organizations; and 4 (5%) were other for-profit organizations.

The most frequently provided service among the service providers in the sample was classroom training in occupational skills, offered by 44 of the 87 service providers, followed in frequency by OJT, offered by 25 service providers. Less frequently offered services included basic skills remediation, offered by 20 service providers, and job-search assistance, offered by 16 service providers. Work experience or tryout employment were offered by 10 providers. Eleven of the providers in the case study sample offered YEC-oriented training. Three offered supported employment to disabled target groups. Nine of the contractors (other than the SDAs themselves) had responsibility for centralized intake, assessment, and/or eligibility determination under contract to the SDA.

A total of 79 contracts were used in PY 86 with the 77 service providers that were under contract to SDAs. (Nine service providers were themselves SDAs, and one additional service provider was another city agency with a memorandum of understanding rather than a contract with the SDA.) Of the 79 contracts, 35 were cost-reimbursement contracts, and 44 were performance-based contracts. Of the performance -based contracts, only 13 held back more than 50% of the total contract amount for placement, while 31 paid out more than 50% of the total contract amount for payment points prior to placement.

Exhibit 3

Summary of Characteristics of Service-Provider Sample by Types of Service Provided

(N=87)

	Classroom Training	OJT	Remediation in Basic Skills	Job-Search Assistance	Work Experience or Tryout Employment	YEC-Oriented Training	Supported Employment	Intake/Assessment Eligibility Determination	Total Providers in Sample
Public educational institutions	15	0	11	1	5	6	0	2	23
Private educational institutions	5	0	1	0	0	1	0	0	7
Other public agencies	5	7	1	4	1	1	1	4	12
SDAs	3	7	2	4	1	1	0	0	9
Community-based organizations	9	5	3	5	2	2	1	2	20
Other private organizations									
--Nonprofit	4	6	1	3	1	2	0	0	10
--For profit	3	0	1	1	0	0	1	1	4

Case Study Design: Data Collection Methods

The data collection methods used in the qualitative study component included interviews with State, SDA, and service-provider respondents and reviews of written documents, including SDA plans and service-provider contracts. Onsite visits to each sample site included 1 day of interviews at the State level and 2 to 3 days of interviews at the SDA level.

Respondents

At the State level, interviews were conducted with

- SJTCC staff; and
- Staff of the State agency administering JTPA programs, including
  - Policymakers,
  - Performance standards technical staff,
  - SDA monitors, and
  - MIS and evaluation staff.

At the SDA level, interviews were conducted with

- PIC representatives,
- SDA directors,
- SDA planners and policymakers,
- Staff who negotiate contracts with service providers,
- Staff who monitor service-provider performance, and
- MIS and evaluation staff.

At the service-provider level, we talked with program administrators and direct service staff to understand how individuals in each of these roles perceived the performance expectations placed on them by the SDA and how that influenced their decisions in planning and operating a service program.

When interviewing a particular individual, we discussed each topic about which he or she was informed. This meant that a number of topics were discussed with a variety of respondents at different levels of authority and organizational affiliation. For example, we heard about contract terms and how they affected service-provider practices from both the service provider's and SDA's perspectives.

Case Study Issue Topics

Exhibits 4 to 7 summarize the topic areas that were covered in discussions with State staff, PIC representatives, SDA staff, and service-provider staff, respectively. Complete copies of the discussion guides used during the site visits are included in Appendix E.

Case Study Design: Data Analysis Procedures

Once the field visits were completed, we prepared detailed narrative summaries of each State and each SDA for our own internal use. Cross-site analyses were performed by observing similarities and differences in the patterns exhibited by the different SDAs and taking into account their responses to the standards and other external factors. Individual staff responsible for summarizing fundings for a particular topic area developed detailed abstracts of the findings across the 30 case study sites in that topic area and described the resulting patterns.

The typologies described in the next chapter grew out of this analysis process as patterns emerged and were found to be useful tools in describing the various ways SDAs reacted to the performance standards. These typologies are intended to simplify the diversity of SDA behavior in the real world in order to highlight key differences, rather than to accurately describe the actual behavior of any single SDA or group of SDAs. In particular, the "types" of SDAs described in Chapter VIII represent extreme positions or "pure types" on their particular dimensions, with most real-world SDAs located on a continuum between these extreme positions.

The findings generated from the qualitative component are intended to be generalizable to the Nation in a limited sense. The case study samples represent the full range of variations on a number of critical variables, including the size of SDA allocation, local economic conditions, State performance-standards policies, and prior SDA performance levels. Thus, we are confident that the case study findings do reflect a broad range of variations in SDA response to the study sample should not be extrapolated to the Nation as a whole, except as a general indication of the distribution of responses.

Exhibit 4

Outline of Topics for Onsite Discussions: State Staff
Qualitative Analysis

A. Roles and Responsibilities of Different State-Level Actors

B. Summary Views on Performance Standards

C. State Views on Performance-Standards Design (for example, the levels at which Federal standards are set, the adequacy of local adjustment models, additional State standards, and rewards and sanctions policy)

D. State Views on Other Federal Policies Affecting the JTPA System (for example, Federal limits on administrative costs and supportive service costs)

E. Other State Policies Affecting the JTPA System

F. State Reactions to SDA Performance in PY 86

Exhibit 5

Outline of Topics for Onsite Discussions: PIC Representatives Qualitative Analysis

A. Role of the PIC

B. SDA Goals on Clients Served

C. SDA Goals on Service Design

D. SDA Development of YEC System

E. SDA Performance Objectives

F. PIC Opinion About Performance

G. Summary Views of Performance Standards

Exhibit 6

Outline of Topics for Onsite Discussions: SDA Respondents
Qualitative Analysis

A. SDA Goals, Objectives, and Priorities
   1. Roles of Different Local Actors
   2. Effects of Local Factors on SDA Performance Objectives and Practices
   3. Summary Views on Performance Standards
   4. SDA Goals on Clients Served
   5. SDA Goals on Service Design
   6. SDA Development of YEC System
   7. SDA Suggestions for Improving the YEC System

B. Development of SDA Performance Objectives
   1. SDA Performance Objectives
   2. SDA Strategies for Improving Performance from Year to Year

C. SDA Policies and Practices for Program Implementation
   1. Description of the Flow of Clients
   2. Practices Affecting Client Selection
   3. Practices Affecting Services Delivered
   4. Practices Affecting Types of Service Providers and Regulation of Provider Performance
   5. SDA Practices and Procedures Regarding Placement and Termination

D. Understanding of Federal and State Performance-Standards Policies
   1. Choice of Additional State Performance Standards
   2. State Alterations/Exceptions to the Local Adjustment Models
   3. State Design of the Incentive Rewards System
   4. State Sanctioning Actions
   5. SDA Actions Regarding Utilization of State Rewards for Past Performance
   6. SDA Actions Regarding Receipt of State 6% Funds Set Aside for Hard-to-Serve Clients

E. Impact of Other Federal and/or State Policies on SDA Policies and Practices

Exhibit 7

Outline of Topics for Onsite Discussions: Service Providers
Qualitative Analysis

A. History of Service Provider as an Employment Services Contractor

B. Contractual Relationships/Relative Roles of SDA and Service Provider

C. Service-Provider Priorities, Incentives, and Policies

D. Description of Service-Provider Practices
  1. Describe Service-Provider Practices Regarding Client Outreach
  2. Describe Service-Provider Practices Regarding Client Assessment, Selection, Enrollment, Assignment to Services, and Provision of Supportive Services
  3. Describe Placement, Termination, and Follow-up Practices

E. Effect on Service Provider of SDA Policies Regarding Client Priorities and Client Selection

F. Effect on Service Providers of SDA Policies Regarding Service Design and Assignment to Service Issues

G. Effect on Service Providers of SDA Policies Regarding Acceptable Service Costs

H. Issues Relating to Youth Competency Areas (For Providers Serving Youth)

I. Effects of Local Factors on Service-Provider Practices and Performance

VIII. Overview of SDA Strategies and Goals: Evidence from the Qualitative Analysis

Introduction

The previous chapters summarizing the quantitative analysis have found that State performance-standards policies do significantly impact both the clients enrolled and the services offered in JTPA programs. Generally, policies that emphasize exceeding standards tend to reduce service to hard-to-serve groups and increase the provision of services designed to achieve immediate employment; policies that emphasize service to hard-to-serve groups and that adjust standards for serving such clients tend to increase service to these groups and increase the intensity of program services. The quantitative analysis also produced evidence that the effects of performance standards on clients are produced, in part, through their impacts on services offered and, in part, through their impacts on SDA management practices, such as client screening and referral procedures.

We turn now to the results of the qualitative evaluation, based on extensive case studies in 30 SDAs. This component complements the quantitative analysis by examining how Federal and State performance-standards policies influence SDA choices, including formulation of program goals, design of program services, and practices to implement and manage the JTPA program. The qualitative analysis clearly demonstrates that the quantitative results represent national averages of highly varied responses to the performance-standards system. Before presenting the qualitative results on the impacts of performance standards on clients, services, costs, and management practices in the subsequent chapters, this chapter provides an overview of how SDAs differ in their responses to performance standards and how this affects their performance goals.

Overview of Chapter and Key Findings

The first part of this chapter describes typologies of the SDAs' goals and objectives that interact with Federal and State policies. We developed these typologies to help explain the variations in how performance standards influenced clients, services, and costs within the case study sample.

Client-oriented SDAs gave priority to their client objectives and oriented their program design and management decisions around how this would affect their client goals. Employer-oriented SDAs gave priority to designing and implementing a service mix that would train individuals for jobs in high demand in the local labor market. Performance-oriented SDAs gave priority to meeting or exceeding the performance standards (or other State or local performance measures). These were SDAs without strong employer or client goals to counterbalance their goals to exceed their performance standards. However, most SDAs could meet their performance goals without having to resort to a major revision of other program goals.

Other typologies are described; one is the extent to which SDAs managed their risk or avoided risk with respect to the standards, and the other is the extent to which SDAs shared the risk of meeting the performance standards with their service providers.

The next part of the chapter describes the variation among the case study SDAs in the extent to which the performance standards have influenced local program goals, program design, and management practices. About a third of the SDAs had a goal of meeting the standards and "staying out of trouble" (that is, avoiding sanctions), another quarter wanted to exceed the standards slightly, to have a performance safety margin, and to realize some incentive awards, and the remaining sites had a goal of performing at as high a level as they could on the standards. The relative importance of the performance standards was conditioned in part by the importance that SDAs placed on receiving incentive awards.

The final section of the chapter describes a number of other factors that were important influences on SDA strategies in the case study sites. These include local factors such as the local unemployment rate and labor market opportunities, as well as the availability of service providers, and State and Federal factors such as the 40% youth expenditure requirement, the equitable service requirements for dropouts and welfare recipients, and the 15% limit on supportive services costs and lack of stipends. These environmental factors influenced the SDAs' program-design and client selection priorities as much or more than did the performance standards.

Typologies from the Qualitative Analysis

The typologies presented below grew out of the analysis of the 30 case studies; they represent a synthesis of the interviews conducted with SDA and service-provider staff. No SDA perfectly meets the description of any one of these types, which are exaggerated "pure types" of tendencies found in more blurred form in the real world. The categories described here were developed to provide a framework for describing the kinds of variations in goals, objectives, and practices that actually existed among the case study SDAs and as a guide to the interpretation of the variations. However, these typologies oversimplify and exaggerate the complex features observed in the case study sample to highlight the key variations in SDA response to the performance standards. For this reason, we have not attempted to count the number of case study SDAs in each category.

"Client" Versus "Employer" Versus "Performance" Orientation

The first way to categorize SDAs is to array them by the amount of emphasis that they place on three "pure" types of program objectives: (1) a commitment to serving specific types of clients, (2) a commitment to responding to local employer needs and interests, and (3) a commitment to achieving specific levels on the JTPA performance standards. In some SDAs, all of these objectives are present simultaneously; in others, only one or two of these objectives have received formal emphasis or attention. SDAs with differing amounts of emphasis on these objectives will differ in how they balance decisions about program design and service mix, recruitment and client selection practices, and program management practices, such as provider selection and contract terms, enrollment decisions, and reporting practices.

The experiences of the case study sites suggest that the more client oriented a given SDA is, the more the SDA will give priority to its client objectives and evaluate its program-design and management decisions according to how they will affect the achievement of its primary client-targeting goals. The more employer oriented a given SDA is, the more the SDA will give priority to designing and implementing a service mix that will train individuals for the more highly skilled jobs for which employers need trained workers, and the more this objective will influence decisions about whom to enroll in training programs and what performance measures to emphasize. Finally, the more performance oriented a given SDA is, the more the SDA will be willing to compromise client and service goals to achieve high performance levels.

In the following chapters, we have sometimes referred to this typology in explaining the variation in SDA reaction to the performance standards. The typology is useful because it illustrates the tension between client, service, and performance objectives present in many SDAs and shows how the performance standards interact with other SDA objectives in influencing decisions about clients, services, and costs.

The analysis indicates that performance standards have their greatest unintended effects on program-design and implementation practices in SDAs that are lacking in strong client or employer orientations to counterbalance their performance concerns. In contrast, the performance standards have the least unintended effects in SDAs with strong client or employer objectives that are the primary influence on program-design decisions and that reduce the influence of performance concerns.

"Risk Management" Versus "Risk Avoidance" Strategies

A related typology that is useful in highlighting variations among SDAs in how they have responded to the performance standards is the difference between SDAs that have developed strategies of "risk avoidance" versus "risk management" to achieve their performance objectives.

One type of SDA is "indifferent to the performance standards" in developing their program-design and client-mix strategies. These SDAs do not pay much attention to the performance standards, either because they are not highly motivated to meet or exceed the standards or because the levels at which the standards have been set (or maximum incentives are earned) are very easy for them to meet.

At the opposite end of the spectrum are SDAs that are "risk avoiders." In this type of SDA, concern about meeting or exceeding standards takes priority over other objectives (as in the "performance-oriented" SDAs described above). The SDA's design decisions and client recruitment practices are chosen to ensure that its performance objectives will be met. For example, the SDA will avoid serving individuals with serious employment barriers because there is considerable uncertainty about whether those individuals will be successful in completing the JTPA program and obtaining employment. In "risk-avoiding" SDAs, the SDA's client and employer objectives are amended if they create undue risks for the achievement of the SDA's performance objectives.

A third type of SDA, the "risk manager", falls between the two extremes. "Risk manager" SDAs are concerned about achieving performance objectives but have also developed management practices that will ensure that they will meet their performance goals while still furthering their local client and service objectives. The strategies usually involve acknowledging that various service programs and client groups will have different outcomes and balancing the overall program design so that performance goals can be reached.

Because both successful risk avoidance and successful risk management lead to high performance on the standards, both strategies tend to be rewarded by the performance-standards system. However, risk avoidance strategies generally amount to taking the easy way out, emphasizing the standards as the sole indicators of success while ignoring the fact that there may be other important local or national objectives (for example, reaching individuals who have serious employment barriers or achieving stable employment outcomes). SDAs using risk management strategies recognize that there are organizational goals worth pursuing besides high performance. Risk management SDAs try to find ways to accomplish their desired performance on the standards while still furthering these other goals.

"Risk Sharing" Versus "Risk Passing": SDA Versus Service-Provider Performance Responsibilities

A final typology useful in understanding the variations among the case study SDAs describes the extent to which the SDA assumes responsibility for meeting its performance goals, shares that responsibility with service providers, or passes on the primary responsibility for performance to the service-provider level. SDAs that keep the risk of performance at the SDA level of administration may contract for training services with other organizations (or to operate programs directly) but do not require that service providers perform at a certain level to receive full compensation. This type of SDA depends heavily on careful planning of program mix for the entire SDA and careful monitoring of service-provider and SDA performance throughout the year. Usually the SDA tries to keep control of some mechanisms that it can use near the end of the year to fine tune the SDA's overall performance (for example, providing additional funding to high-performing projects and reducing the duration of training contracts that are approved late in the year).

A second type of SDA shares performance risks with its service providers. This type of SDA usually sets forth very specific performance goals for its service providers (through the terms of either cost-reimbursement or performance-based contracts) and takes clear steps to reduce funding or not retain contractors that do not live up to their performance expectations. However, "risk-sharing" SDAs also often share with their service providers the responsibilities for screening and enrolling clients and sometimes for placing clients at the conclusion of training. The SDA and service providers try to work together to achieve the SDA's performance objectives.

The third type of SDA passes the risk along to the service-provider level through clear performance-based contracts, with most of the payment reserved for achievement of a job placement or job retention outcome. In this type of SDA, the performance standards have the potential for having the greatest unintended effects on the types of clients served by JTPA programs. If service providers have discretion over who is enrolled in the program, they are allowed to determine the tradeoff between client and performance objectives while they are given financial incentives to weight performance objectives over client objectives.

Importance of the Standards in Shaping Local Performance Objectives and Strategies

We did not categorize the SDAs visited according to the typologies developed above, because the typologies represent pure or ideal types. Rather, we developed the typologies to understand why many SDAs reported that the performance standards did not have a great influence on the way they did business. Other SDA objectives, such as meeting client or employer needs, often had higher visibility than the performance-standards themselves.

There was considerable variation among the 30 case study SDAs in both the extent to which and the ways in which the performance standards influenced local program goals, program design, and management practices. One important distinction among SDAs concerns their specific performance goals. Approximately 11 of the 30 case study SDAs (37%) had a goal of simply meeting the standards and "staying out of trouble" (that is, avoiding sanctions). Another seven SDAs (23%) indicated a goal of exceeding the standards slightly, to have a performance safety margin and to realize some incentive awards. Finally, 12 of the 30 case study sites (40%) indicated a goal of performing at as high a level as they could on the performance standards, because it was important to them to maximize their potential 6% incentive award. Pride and good public relations were also mentioned by all types of SDAs as important incentives to perform at or above the performance levels set by the standards.*

Many SDAs with strong performance goals, however, also stated additional client and service goals that were important to them and that moderated the concern for high performance on the standards in some cases. Appendix D summarizes the performance goals of all 30 case study sites (without identifying individual SDAs by name).

Importance of Incentive Funds

The development of performance goals and the relative importance of the performance standards in shaping other local goals and priorities was affected in part by the importance the SDA placed on receiving the maximum amount of incentive funds. SDAs varied in the extent to which they attached importance to receiving incentive funds.

In about half of the case study SDAs, the amount of incentive funds received was a matter of great importance. The reasons for emphasizing incentive awards varied but principally consisted of the following:

- Many SDAs, particularly those in areas of declining unemployment, needed the money to compensate for shrinking 78% allocations (10 SDAs, 30%). These funds were needed to maintain the level at which programs were operating. Several SDAs valued the flexibility to use 30% of the incentive award for administrative expenditures (mentioned specifically by 8 SDAs, 27%).
- SDAs often attached a great deal of importance to performing well compared with other SDAs in the State, being number one in the State (as measured by the size of the award), or receiving the maximum incentive funds for which they were eligible, as a matter of pride. Three SDAs (10%) additionally cited the public relations

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*Throughout the remainder of the qualitative analysis, we often indicate the number and percentage of SDAs in a certain category or giving a certain response. Although the SDA sample was selected to be as representative as possible, due to the small sample size these percentages should not be used to extrapolate to the Nation as a whole. They are intended as a convenience to the reader only.

value (in the local community) of receiving "an award" as more important historically than the money itself. (However, some said that the funds themselves are now becoming increasingly important as 78% funding shrinks.)

- In two SDAs (7%), respondents stated that they saw the incentive funds as an opportunity to undertake projects that they could not fund with 78% money, either because they were high risk (serving individuals with multiple barriers to employment) or because they only indirectly contributed to measured outcomes (for example, funding special efforts to increase outreach or marketing to employers). The SDAs that mentioned this factor were among those that were permitted by their States to exempt 6% funded projects from the performance standards—which was not typical at the time of the case study visits.

In the remaining half of the SDAs, the incentive award was less important. In fact, two SDA respondents stated definitely that the money was not of interest. For some SDAs, the amount of money at stake was so small that it was hardly noticed. For others, client recruiting was difficult, and thus, they were already having trouble expending their 78% allocation. SDAs that operate other programs in addition to JTPA programs generally attached far less importance to the 6% funding programs because they had other ways of compensating for declining allocations and administrative funding constraints. Additional reasons for attaching relatively little importance to incentive awards were the following:

- The unevenness or unpredictability of the funding made it difficult to plan sensible ways to use it (two SDAs, 7%).
- For some SDAs, the incentive funding arrived with even more constraints than the 78% allocation: they needed to spend it quickly and thus had to undertake a midyear planning effort around a relatively small sum and had to be accountable (via the performance standards) for outcomes achieved with the funds.

Uses of Incentive Funds

Incentive funds were spent in three different ways:

- At least eight SDAs (27%) used the full 30% allowable for administrative activities and considered this an important feature of the 6% funds. Sometimes the additional administrative "cushion" allowed SDAs to use the funds in unusual ways. Three SDAs gave staff raises or bonuses based on the amount of the award and on performance. Another used the administrative portion for research, economic development planning, and workshops for PIC members.
- Eleven SDAs (37%) described special projects that they had funded with the 6% award. Several SDAs funded projects that targeted specific groups of hard-to-serve clients—operating projects such as dropout prevention, English-as-a-second-language programs, basic skills remediation, a special project for youth with learning disabilities, and adult remedial education ("Get a GED, Get $500"). Projects such as these tended

to emerge in States where services funded with 6% funds were not included in the calculation of the performance standards.*

- At least 15 SDAs (50%) had "folded in" the 6% award so that it was virtually indistinguishable from their 78% funding.

Respondents described several other special ways in which they had used incentive funds. One SDA used 6% funds to reward contractors according to their performance, adjusted by the model.

Incentive funds tended to be most important to SDAs that (1) had developed innovative special projects using those funds and had a strong interest in being able to continue those or similar projects, (2) had experienced particularly sharp declines in 78% funding as a result of falling unemployment rates, and (3) did not use performance-based contracts and therefore felt the pinch of the 15% limit on administrative funding.

Other Factors Affecting SDA Decisions About Clients, Services, and Costs

Although the performance-standards system is clearly an important influence on SDA planning, a number of other factors that also influence SDA actions were described during the site visits. Local factors beyond the SDA's control that influence their decisions about program design and client selection include the local unemployment rate, labor market structures, and availability of service providers. State and Federal factors that influence program design include the Federal youth expenditure requirement (as adjusted and monitored by the States), the requirement for equitable service to dropouts and AFDC recipients, and the limitation on the supportive services available to clients. These factors are described in the next section.

Impact of Local Environmental Factors Not Under SDA Control

Our local case studies revealed that the characteristics of the local economy were extremely influential in shaping the SDAs' program-design decisions and led to some of the most difficult dilemmas that faced SDAs and program operators.

Unemployment Rate. SDAs with low unemployment had difficulties recruiting clients because immediate minimum wage employment was often an attractive alternative to JTPA participation. To attract clients in a booming economy, SDAs had to undertake large recruitment efforts and often found an applicant pool that consisted of individuals with an unstable work history, basic skills deficiencies, and multiple personal or family problems. These SDAs also had to revamp their service programs to meet the needs of the population of less job-ready clients. These adjustments to the service design included adding basic skills remediation and counseling components, as well as offering more generous needs-based payments and child care payments.

Although nearly every SDA in the sample described having to adjust to a level of funding under JTPA that was far lower than its total CETA funding, the SDAs that were experiencing declining unemployment rates were most affected by declining funding levels at the same time they were trying to meet the needs of more disadvantaged applicants. For some SDAs, the level of JTPA funding had dropped by 50% since the beginning of JTPA, and allocations for PY 87 and PY 88 were continuing to drop sharply. A total of 16 of the 30 SDAs (53%) visited were in the process of substantial retrenchment due to declining Title II-A funding. In others, the SDA kept the same program design but reduced the size and duration of individual projects and put pressure on contractors to reduce unit costs.

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*In a State that requires 6% funds to be used for hard-to-serve clients, a percentage of one SDA's funds were to be earmarked for services to long-term welfare clients. Another was hoping to set up a program for homeless individuals. A third funded a displaced-homemaker program and a "work and learn" program for dropouts. The fourth conducted pre-remediation for those who cannot otherwise succeed in their regular training program.

SDAs often felt constrained by the declining allocation to offer shorter term services so that their limited funds would be spread over as many participants as possible. At the same time, the requirements of the client pool increased, indicating a need for more enriched supportive services and greater sequencing of services to make clients employable. To resolve this dilemma, SDAs looked for ways to leverage JTPA funds with other funds, utilized contractors that had a proven track record of fulfilling their cost and entered-employment goals, and took a generally cautious attitude toward new program operators.

In SDAs with high unemployment rates, it was easy to recruit program clients and there was pressure to respond to the immediate needs of unemployed applicants with a fairly clear set of retraining and reemployment-oriented services. These clients tended to be easier to serve in that they had more recent work experience and faced fewer personal barriers to employment. Furthermore, because these clients had recent work experience, the SDAs felt less of a need to develop programs that included remediation or world-of-work orientation.

Labor Market Opportunities. The industry and occupational mix of jobs available in the local economy also influenced the SDAs' design decisions. Generally, SDAs funded training that would prepare individuals for jobs that existed in the local economy. In one instance, the PIC realized that the SDA needed to shift from training for the declining manufacturing sector to training for the growing service sector. Another PIC emphasized training in areas associated with opportunities for economic development. A third SDA declared that OJT was an inappropriate service for its " full employment" labor market because employers did not require a subsidy to make them willing to hire JTPA trainees. Several rural SDAs decided that local opportunities were too limited and offered training in occupations that were available in nearby cities.

Service-Provider Availability. In most urban areas, SDAs could choose from a variety of potential service providers. In rural areas or smaller counties, however, SDAs had only a limited choice of classroom training providers, which in turn limited the types and costs of training that could be provided. One case study SDA, for example, had to send participants 80 miles to the closest large town (located in another SDA) to provide some types of training. Clients who were unable to travel or wanted training in other occupational areas were thus effectively prevented from entering the program. Other SDA directors worried that some types of clients had not been well served by "mainstream" institutions (for example, the school system and the employment service) and wished that more CBOs were available to provide training in their areas.

Impact of Other State and Federal Policies on Program Design and Client Selection

Other than the performance standards, the State and Federal factors that influence local program designs are (1) the requirement that 40% of JTPA Title II-A funds be expended on youth, (2) the legislative requirement for equitable services to dropouts and welfare recipients, and (3) the Federal limitation on the percentage of the JTPA allocation that can be spent on supportive services and the lack of stipends.

Youth Expenditure Requirement. Four of the case study SDAs (13%) mentioned that the youth expenditure requirement had

had a substantial effect on their local program design, causing them to expand their youth-oriented programs and increase the resources devoted to youth significantly beyond the level they would otherwise have chosen. Several SDAs found this requirement particularly frustrating because it was so difficult to recruit youth in a tight labor market. In addition, several SDAs said that they had to enroll a large number of youth to reach the targeted expenditure rate because they were operating fairly inexpensive youth services. The influence of this factor is discussed more fully in Chapter IX.

Equitable Service Requirements. Several SDAs changed their program design to be responsive to the Federal requirement to serve dropouts equitably, as interpreted and monitored by their State. (A number of other SDAs argued with their States that the expected levels of service to dropouts were too high and could not be reached without altering their program design.) One response to this requirement was to increase the amount of basic skills remediation and GED assistance available to out-of-school youth.

Although the requirement for equitable services to dropouts was often mentioned as affecting SDA and service-provider behavior, the parallel requirement for equitable services to welfare recipients was not difficult to meet and thus did not have as large an effect on SDA behavior. Although SDAs viewed welfare recipients as hard to serve because of their poor employment histories, nonetheless SDAs did view welfare recipients as appropriate JTPA clients because they could rely on their welfare grants for income support during training. For this group, the most difficult question was not how to recruit them, but how to overcome the work disincentives inherent in the welfare system. The efforts of SDAs to serve these two groups of hard-to-serve clients are described more fully in Chapter IX.

Lack of Stipends and Limit on Supportive Services Spending. Several SDAs mentioned having increased recruitment difficulties because of the inability to pay stipends under JTPA programs. The lack of stipends also influenced SDAs' decisions about the duration of training programs. Clients were more able to support themselves through shorter and more intense programs (for example, meeting all day for a shorter number of days rather than 4 hours a day for a longer number of days). Because clients sometimes dropped out of longer training programs to take non-training-related jobs, some SDAs helped their participants find part-time jobs to support themselves during training. Other SDAs increased their emphasis on OJT, which provides immediate income to participants.

The Federal limitation on expenditures in supportive services governed the amount of needs-based payments SDAs could offer to their clients. Sample SDAs varied widely in the amount of allowances offered to clients, with the most common range being from $30 to $60 per week for basic lunch/ transportation payments. A few SDAs supplemented this with child care allowances, and SDAs also paid for books, supplies, and work clothes in a number of cases. Only one sample SDA had provided payments that would cover actual living expenses. General needs-based payments were bare-bones allowances because SDAs preferred to spend as much of their limited funds as possible on training activities.

Summary and Conclusions

Several typologies of SDA responses to the performance standards help explain the variations in how the performance standards influenced clients, services, and costs within the case study sample. Client-oriented SDAs give priority to their client objectives and orient their program-design and management decisions around how this will affect their client goals. Employer-oriented SDAs give priority to designing and implementing a service mix that will train individuals for jobs in demand in the local labor market. Performance-oriented SDAs are very oriented toward meeting or exceeding the performance standards and are willing to compromise their client and service goals to further their performance goals.

Another related typology describes the way in which the performance standards influence the SDAs' program-design and management decisions. Some SDAs are indifferent to the standards when they design their programs, either because they don't care if they meet the standards or because the standards are so easy to meet. Other SDAs adopt risk avoidance strategies that increase the likelihood that they will meet the performance standards by avoiding hard-to-serve clients or adjusting the service mix for reasons that are standards oriented. Finally, some SDAs adopt risk management strategies that enable them to meet their performance goals while still furthering local client and service objectives.

A final typology describes how SDAs vary in the extent to which the SDA keeps responsibility for meeting its performance goals, shares that responsibility with service providers, or passes on the primary responsibility for performance to the service-provider level.

The performance standards played an important role in some SDAs, a minor role in others. Only a few SDAs in the case study sample were purely ''risk avoidance'' rather than "risk management" in their response to the performance standards. Most SDAs could meet the standards at the desired level without having to resort to a major revision of other program goals.

The relative importance of the performance standards in shaping local goals and priorities was conditioned in part by the importance to the SDA of receiving the maximum amount of incentive funds. Some SDAs placed high priority on receiving funds because they viewed them as compensating for shrinking 78% allocations and tight administrative limits. Others valued the awards for their public relations value. Still others used the awards to undertake projects that they could not fund with 78% money, such as services for high-risk clients, or marketing or outreach projects that only indirectly contributed to outcomes.

Other local, State, and Federal factors influenced the SDAs' program- design and client selection priorities as much or more than the performance standards. These included local environmental factors beyond the SDAs' control, such as (1) the local unemployment rate, which affected the composition of the available client pool; (2) the local labor market opportunities, which affected the type of training offered; and (3) service provider availability, which also affected the types of training that could be offered. The State and Federal factors that influenced the SDAs' behavior included the 40% youth expenditure requirement and the equitable service requirements for dropouts and welfare recipients, both of which influenced SDAs to target groups that they may not have otherwise done. Another factor was the limit on supportive service costs and lack of stipends, which caused recruitment difficulties for SDAs and required changes in service duration and intensity to ensure that clients could support themselves through the training program. Often these other factors influenced the SDAs' program-design decisions as much or more than did performance standards.

IX. Impact of Performance Standards on SDA Goals About Clients Served: Evidence From the Qualitative Analysis

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Introduction

The Federal performance-standards system was designed to avoid influencing local decisions about clients served. Aside from the requirements that 90% of JTPA recipients be economically disadvantaged, that 40% of the funds be spent on youth, and that dropouts and welfare recipients be equitably served, the Federal Government leaves decisions about whom to serve to the States and local SDAs. The qualitative analysis examined whether the existence of the Federal performance-standards system had unintended effects on who was served under JTPA programs. The qualitative analysis also examined how State performance-standards policies affected the SDA's choices about the types of clients served. To answer these questions, we conducted interviews with SDA, PIC, and service-provider staff to determine the overall client goals as well as outreach and recruitment practices used in the case study SDAs. These discussions explored the factors that affect the SDAs' client goals and practices and whether the performance standards were preventing the SDAs from enrolling client groups that had been identified as priorities in the local area.

Overview of Chapter and Key Findings

The first part of this chapter examines the factors that influence the SDAs' goals for clients served. Two-thirds of the SDAs visited identified priority client groups, either in their plans or by establishing special procedures or programs. Overall, Federal performance-standards policies had little effect on the SDAs' client goals. State policies and local factors had greater influence. In States that had policies for equitable service provision or incentive policies that emphasized service to hard-to-serve clients, SDAs often reflected these State priorities in their local client goals. In addition, youth expenditure requirements and the characteristics of the applicant pool also influenced the SDA's client goals.

The second part of the chapter examines barriers to serving hard-to-serve groups and the strategies some SDAs used to overcome those barriers. Welfare recipients, dropouts, handicapped, offenders, and those with limited English skills were identified as hard to serve by many SDAs. Strategies for serving these groups included designing special services for their needs, implementing service strategies or employer-targeting strategies, leveraging JTPA funds with other sources, and making explicit tradeoffs between short-term services to better prepared clients and long-term services to clients with greater needs.

SDA Client Goals

Of the SDAs visited, two-thirds (20 SDAs) had developed a set of local client goals and priorities for service to particular subgroups of the eligible population. Very often these built on State goals and policies, but they usually went beyond to target other subgroups. Of those SDAs with specific goals, nine (30%) had a stated commitment to serving hard-to-serve clients within Title II-A programs, and four SDAs (13%) expressed a clear policy of serving a broad mix of clients, including a mix of less job-ready and more job-ready individuals.

SDAs implemented client goals in a number of ways: by declaring groups to be high priority, by conducting special outreach, by developing priority systems for enrolling clients, and by funding programs for particular groups.

SDAs usually listed priority groups in their plans, usually incorporating State goals for service to welfare recipients and dropouts and the required youth expenditure goal. However, SDAs also designated other populations as target groups. Those mentioned most often were high-risk or multi-problem youth, handicapped, minorities, offenders, women, limited-English speakers, single heads of households, Vietnam veterans, and older workers. A rural SDA targeted dislocated farmers, and a few multi-county SDAs had policies about geographical equity. Sometimes the service-level goals listed in the plan got translated into specific practices or programs, but more often they were only used as planning figures against which enrollment numbers were checked throughout the year.

About one-third of the SDAs had instituted practices for special outreach to recruit members of the target groups. Outreach practices included running ads on ethnic radio stations or in local papers; enclosing special brochures in welfare check envelopes; making presentations at community group meetings; and sending letters to school dropouts.

Three SDAs (10%) had many more applicants than they could serve and therefore had developed point systems for prioritizing eligible applicants. Usually applicants with more barriers (for example, long-term female welfare recipients with little work experience) received more points than those with fewer barriers (for example, recently unemployed individuals). This practice allowed SDAs to target their services to those most in need. However, when the economy was healthy and clients were hard to find, priority systems and targeted groups were generally left behind as SDAs scrambled to find enough eligible individuals to fill the available slots.

Another common way of targeting some client groups was to fund programs specifically for them. This was a practice used most often for the handicapped and offenders.* Nine of the case study SDAs (30%) had separate programs for these groups, and three more (10%) targeted them for special outreach. Because these groups were seen as having special needs, the SDAs usually contracted with organizations that had experience working with the handicapped or offenders. The specialized organization, which usually had funding from a number of sources, then took responsibility for the full range of services, from recruitment to placement and follow-up.

A few other subgroups received special attention in a less consistent way: one SDA ran a special program to train women in nontraditional occupations, another had one for recovering alcoholics, and several SDAs awarded contracts to CBOs that offered services to specific ethnic communities (for example, Hispanic, Portuguese, and Samoans). Some SDAs ran separate programs for welfare recipients by using money the State made available for that purpose or using the State money to allow welfare clients to receive more services than other clients (for example, 8 weeks of basic skills remediation instead of 4).

Ten of the SDAs visited (33%) had no explicit local client goals. They either adopted the State goals without modification or said that their goals were to serve "all the disadvantaged" or "any eligible client." These SDAs included a number of large central cities where staff reported that "anyone walking in the door is hard to serve" and thus did not feel a need for elaborate statements of goals and priorities. Some SDAs viewed priority groups as "mere politics." "We're tired of being told we should serve the latest trendy group—the latest was teenage fathers," reported one SDA director. Another asked, "Can you believe that the governor thinks we should design a program for the homeless?" (On the other hand, another SDA wanted to develop such a program using its 6% award.) Some SDAs explicitly decided against offering special programs for specific subgroups, on the grounds that clients learned more in mixed groups and that they were stigmatized by being served separately.

Among the SDAs without client priorities were a number of large multicounty SDAs. These SDAs divided up the allocation and passed funds through to the sub-SDA counties, each of which designed its own program and set its own client goals. Because the needs of the eligible population might vary greatly from county to county, these SDAs felt it was more appropriate to take a neutral role with respect to client priorities.

Influence of State Policies on SDA Client Goals

States influenced the SDAs' client goals through several practices: modifying incentive policies to encourage service to the hard to serve, monitoring equitable service goals, and supplementing JTPA funding with other funds to increase service to welfare recipients.

None of the States visited had instituted explicit additional performance standards for specific client groups in PY 86. However, two States had put client priority standards in place since then. One State had instituted an optional positive-termination-rate standard for high-risk youth in PY 87. Another State was planning to implement a standard for service levels to welfare recipients in PY 88. The anticipation of future requirements made SDAs in that State emphasize welfare recipients even before the standard was instituted.

Two States encouraged service to particular groups by awarding substantial amounts of 6% incentive funds based on service to targeted groups. One State used 30% of the 6% funds to reward service levels to minorities and dropouts; the other State weighted service levels to AFDC recipients and dropouts as heavily as overall performance in the incentive formula in PY 87. Even though these policies were not identified as separate performance standards, most SDAs had a goal of maximizing incentive funds and therefore changed their practices to conduct special outreach and recruitment for clients with those characteristics.

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*Among the handicapped, the subgroups usually targeted were the mentally ill or the mentally retarded, and offender programs sometimes differentiated between adults and youth.

Although these policies influenced SDA behavior, often the SDAs disagreed with the client priorities expressed by the State incentive policies. In both States described above, the goals for services to dropouts were generally seen as particularly onerous because of the high level at which service expectations were set, which SDAs often felt were unreasonable and unattainable goals. (The States used census figures for the percentage of dropouts in the general population as goals, and SDAs felt these goals were higher than the percentage of dropouts in the applicant pool.) However, SDAs generally agreed with the emphasis on welfare recipients because the incidence of welfare recipients in the population was easier to compute and recruitment was less of a problem for this group.

States also attempted to influence the level of service to welfare recipients by heavily weighting the welfare entered-employment-rate standard in their incentive policies. Consistent with the results of the quantitative analysis, in the case study sites this policy had less of an influence on the number of clients served than policies about the level of service, because the rate of employment can be high on a small absolute number of clients. However, several SDAs reported that the high weight on this standard made them pay more attention to the group than they otherwise would have.

All of the case study States monitored service levels to various groups, even when they did not attach incentive funds to meeting the service goals. The SDAs generally tried to comply with the goal of service to the monitored groups because doing so made the plan approval process go more smoothly. The groups usually monitored were those mentioned in the JTPA legislation: AFDC recipients and dropouts. One State went beyond these groups and monitored service to women, minorities, adults over 40, and the handicapped, and another monitored service levels to all the groups listed on the JASR, plus additional ethnic categories.

States also communicated client goals through alternative funding streams. Six States had instituted work-welfare programs, and three awarded State and Federal funds to SDAs to serve this group. Because the States with strong work-welfare programs wanted to coordinate with the existing JTPA training system, they reasoned that offering SDAs funding to serve those clients was the best way to ensure that the welfare recipients would be served.

These results of the case studies are very consistent with the results of the quantitative analysis presented earlier. State policies that encourage service to welfare recipients, dropouts, and those with other barriers to employment were found to significantly increase service to these groups. In the case studies we found that many SDAs included State priorities in their own goals for the types of clients served in JTPA programs.

Influence of the Youth Expenditure Requirement

Youth became a priority group in many SDAs by virtue of the requirement that 40% of expenditures (as adjusted for actual SDA characteristics) be spent on them. Although no State had attached any incentive money to the fulfillment of the requirement, youth expenditure rates were monitored carefully.

The majority of SDAs believed that this de facto emphasis on youth was appropriate because they felt it was important to prevent employment problems early in life by keeping youth in school and giving them training and work experience. Three SDAs (10%) targeted even more money than was required on youth. However, at least four SDAs (13%) felt that the youth expenditure requirement prevented them from serving adults who needed and wanted help more; for these SDAs, the requirement was an imposition on local autonomy.

Whether they agreed with the policy emphasis or not, many SDAs had trouble meeting the youth expenditure requirement because they had difficulties recruiting enough youth. SDA staff had a number of explanations for this difficulty. Some SDAs stated that youth were not future oriented: "Youth would rather make minimum wage flipping burgers than stay in training for the chance at a higher paying job." This problem was especially acute in areas with booming economies, where even fast food jobs paid above the minimum wage. Others cited a lack of motivation for youth: "They don't have family responsibilities, and they're getting by—by living with their families or dealing drugs or crime. They're not going to spend time in training programs." One frustrated SDA director claimed that "youth are an invisible population."

SDAs often went to great lengths to enroll a sufficient number of youth, especially out-of-school youth. Strategies included hiring young people as recruiters to knock on doors and visit basketball courts, offering bounty payments to community groups for successful referrals, and streamlining eligibility processes so that youth were enrolled more quickly than adults. SDAs also passed on the youth expenditure requirement to their contractors by including quotas in contracts.

Characteristics of the Applicant Pool

The local environment had an influence on the characteristics of the applicant pool, which in turn influenced who was served by the SDAs. In the 16 SDAs (53%) with low unemployment rates and booming economies, the remaining unemployed individuals were likely to be those with multiple barriers to employment. Most of these SDAs were shifting from serving a client pool dominated by dislocated workers or at least clients with some work experience to a client pool composed mostly of long-term welfare recipients, individuals with emotional problems and histories of substance abuse, and persons with minimal and intermittent attachment to the work force. SDAs that had not previously served such a large number of these hard-to-serve clients were making adjustments in their assessment procedures and service designs to accommodate the new applicant pool.

In the remaining 14 SDAs (47%), in which unemployment remained high and the economy was contracting or shifting from manufacturing to service jobs, there was less of a need to address multiple barriers to employment because many clients had recent work experience and were not perceived as hard to serve. In these cases, SDAs concentrated on the retraining needs of individuals.

Again, the quantitative analysis substantiates these results. The statistical analysis indicates that areas with low unemployment rates serve significantly more dropouts, minorities, and those with other barriers to employment.

Hard-to-Serve Groups: Barriers and Strategies

There has been considerable debate about whether the performance standards instituted under JTPA programs have prevented SDAs from serving hard-to-serve client groups. Although there is no one definition of hard to serve, the groups most often mentioned are welfare recipients and dropouts; these are also the groups for which equitable service is mandated. Other barriers to employment that are measured on the JASR are being an offender, having a disability, and having limited English skills.

These client subgroups are the ones for which we have statistics and are discussed in detail in a later section. Many of the SDAs visited, however, pointed out that the JASR variables often do not fully capture the hard-to-serve nature of their clients. For instance, the mere fact of being a welfare recipient does not necessarily make a client difficult to serve. However, a client comes closer to meeting the definition of hard to serve when she is a long-term welfare recipient who dropped out of high school, with no work history and a need for health benefits and child care. Often a combination of the characteristics described above made clients hard to serve or other factors inherently difficult to measure, such as substance abuse problems, mental illness or other mental health problems, a history of job hopping or other indications of nonattachment to the work force, or other motivation problems.

Another major unmeasured factor that makes a client hard to serve is the lack of basic skills. In some SDAs, the inability to read or perform simple calculations was a serious barrier to training, let alone employment, for a number of clients. One assessment provider pointed out the extent of the problem of basic skills deficiencies: "People in Washington have no idea of the depth of ignorance that exists in cities. Until you've worked with these people—and find out that they really can't tell time, or that they've never learned measurement concepts like inches or quarts—you have no concept of what it means to get the truly hard to serve ready for training. According to our contract we should not refer them for training unless they can be ready for placement within three months. Without remedial work, how can you possibly avoid taking the cream of the crop?"

If a client with low levels of basic skills had a previous work history and did not desire classroom training, the staff of most SDAs would be able to find the client an OJT position similar to his or her old job. But for clients without a work history, the lack of basic skills often had to be addressed before classroom training could be completed.

Some classroom training curricula included both basic skills and occupational skills training, on the assumption that clients would more readily learn if they could see how skills were applied. However, in other SDAs, clients had to obtain basic skills training outside of the JTPA system before returning for occupational training. SDAs generally did not keep track of the number of applicants who were referred to adult basic education or other sources of basic skills training and never returned to JTPA programs, but this was an acknowledged source of clients "dropping through the cracks."

SDA staff sometimes perceived that performance standards prevented them from serving more hard-to-serve clients, because they thought that the cost standards prevented them from offering the long-term programs that low-skilled clients would need to make them employable. Furthermore, even when they were willing to spend larger amounts of money on their worse-off clients, some SDAs worried that they would only be able to prepare them for low-wage jobs and would thus endanger their performance level on the wage standard. However, in fact, few of the SDAs visited had missed any standards, and in most cases, they were performing well above their required performance levels.

However, other factors not related to performance standards also weighed heavily on the minds of SDA staff. One was the necessity to meet the needs of the employer community and thus to have a range of clients to offer for employment. "We don't want to go to employers and say 'just hire the downtrodden,' " said one SDA director. "We want to offer them more experienced people as well as entry-level people." Another factor that was very important to several SDAs was the desire to spread limited JTPA funds over as many clients as possible, which led to an explicit policy of serving a less hard-to-serve range of clients who could benefit from a fairly short-term program.

However, what is striking is that a considerable number of case study sites did target and serve what would be considered hard-to-serve clients. Although the staff at these sites acknowledged that barriers existed, they often found creative strategies for overcoming those barriers and addressing a wide range of client needs. The sections below discuss the strategies used for the most commonly cited hard-to-serve groups.

Welfare Recipients

A group that was often perceived as particularly hard to serve was long-term welfare recipients. Barriers to serving this group consisted of both the clients' limited employment readiness and work disincentives created by the welfare system. Welfare clients generally had low levels of basic skills and spotty work histories that made it difficult to train them for high-wage jobs in short-term programs. Work disincentives were built into the welfare system. Recipients (especially in high-benefit States) were often better off on welfare than in a low-wage job because of the loss of cash grant and, more importantly, the loss of health care benefits. In addition, welfare clients usually incurred child care expenses as well as the normal work expenses associated with taking a job. Thus, it was necessary to place welfare recipients in high-paying jobs with health benefits to make them as well off as they had been on welfare.

In spite of these barriers, welfare recipients were quite well represented among the terminees in the case study States. Welfare requirements as well as State incentive policies that encouraged service to welfare recipients made SDAs more willing to serve this group. However, State priorities do not fully explain the presence of so many welfare recipients in JTPA programs. Many SDA staff reported that welfare recipients are especially attractive clients because they are least likely to be deterred from obtaining JTPA services due to the lack of stipends. Although the stipends offered under CETA were often maligned as causing clients to obtain training for the sake of training rather than for the sake of employment, they also enabled clients with no other possibility of income support to complete training programs. Nonwelfare clients who were only receiving at best a $20-60 per week transportation allowance were known to quit JTPA training programs in order to take jobs. Welfare recipients, on the other hand, were sought out by SDAs because of their higher probability of completing a training program.

A few SDAs had developed strategies for serving welfare recipients. One SDA had made it a policy to refer these clients only to jobs that paid $7.00 per hour or above, which was the "break even" point at which they would be as well off as on welfare. However, this strategy requires the SDA to make a large investment in training, usually taking at least a year and including basic skills development, occupational skills training, and perhaps work experience or an OJT position. Another SDA made the transition easier for welfare mothers by buying them a health insurance plan for a year after they were placed in a job. This is also an expensive option, costing about $2500 per person. A third SDA made it a policy to write OJT contracts (for all participants, not just welfare recipients) only with companies that offer health benefits.

Dropouts

A number of SDAs expressed frustration at their inability to offer more adult remediation because there was no recognition of a positive outcome other than employment for adults. These SDAs felt that the eligible population contained many people who needed a GED before they would be able to progress to a decent job and were interested in offering this service. However, SDAs realized that they could get no credit for a "GED only" outcome and that the remediation presently had to be built into a sequence of services that included skills training or job placement assistance. If the client needed skills training after the remediation, the program became both long (leading to a high program dropout rate) and expensive (causing SDAs to be nervous about the cost standard). In other cases, the client simply attained the GED and did not go on to a job, which meant a negative termination for the SDA. Some SDAs made explicit decisions not to target adult dropouts, reasoning that they could not be "all things to all people."

However, because States are required to monitor equitable service levels to this group and because States sometimes go beyond that requirement to declare them a priority group, SDAs are often forced to take action if dropouts do not make up a large percentage of the applicant pool.

The two case study SDAs with the highest level of service to dropouts had explicit PIC policies to offer services to the hardest to serve. SDA staff reported that these local priorities, rather than State policies, influenced their level of service to dropouts. On the opposite side, neither of the SDAs with the lowest levels of service had policies or programs to reach out to dropouts in PY 86, although one of them had since instituted a special $500 bonus to adult dropouts to encourage them to get their GEDs, paid for out of 6% funds.

SDAs used a number of strategies to offer remediation services to allow dropouts to obtain their GEDs. SDAs that felt the standards prevented them from offering adult remediation sometimes provided this service using 8% funds; others took advantage of State education funds available for GED instruction. The SDAs that made remediation available as part of their Title II-A program often utilized nontraditional methods of instruction, such as self-paced computer-assisted study before or concurrently with occupational skills training. Staff felt that this approach increased the chances that their clients would succeed, often at a faster pace than traditional teaching allows.

One SDA suggested that SDAs be allowed to offer "remediation only" to adults who did not then go on to immediate employment and to take those clients out of the denominator when calculating performance on the adult entered-employment standard. SDAs who were interested in this strategy were willing to have a cap on the number of adults who could be served this way. One service provider pointed out that for the purposes of obtaining basic skills, the distinction between a 21-year-old "youth" and a 22-year-old "adult" was purely arbitrary.

Other Barriers to Employment

Other categories of clients who are often considered hard to serve are offenders, handicapped, and those with limited English skills. These groups are all perceived to have special needs, either for training (handicapped, limited English) or placement (offenders) or both (handicapped). However, several SDAs in the case study sample targeted one or more of these groups.

The most common strategies for serving these groups was to fund separate programs for them. By contracting with CBOs organized to serve the targeted group, the SDAs accomplished two things: they got a service program especially designed for the needs of the group, and they could buy the services below cost because the organizations usually had other funding sources that allowed them to offer an enriched set of services. Sometimes agencies that offered social services or language instruction could use JTPA funds to "add on" skills training or placement assistance for their most job-ready clients, thus offering the SDAs good outcomes at a fairly low cost. In other SDAs, the outcomes for these special needs populations were lower than for other JTPA clients, but the SDAs had a commitment to serving the group.

General Strategies for Serving the Hard to Serve

Many SDAs perceived cost constraints to be an important impediment to serving hard-to-serve clients. However, the available data show that most SDAs were in no danger of missing the cost standards, even if they increased their costs by 50 or 100%. Several factors other than the fear of missing the standard seemed to be at work here. One was the desire to exceed the standard as much as possible to maximize the 6% award received. This is consistent with the quantitative results that SDAs in States with incentive policies that emphasize exceeding standards are less likely to serve several hard-to-serve groups. The other factor that inhibited some SDAs from serving more hard-to-serve clients was the political desire to spread the available funds over as many clients as possible.

Nonetheless, many SDAs developed several strategies for serving hard-to-serve clients at low cost. The most common strategy was to use funds from other sources to supplement scarce JTPA funds. Thus, SDAs commonly contracted with local school systems, community colleges, or CBOs to provide classroom training. By contracting with a local vocational school or community college, the SDA could usually buy a longer service program for a lower price. In addition, public educational organizations and CBOs were usually more willing to develop classes especially suited for the hard to serve among the JTPA population, whereas the proprietary institutions were more likely to accept individual participants on a "slot in" basis. The existence of a class-size program meant that basic skills remediation and world-of-work orientation could be included in the curriculum rather than as separate services. Offering all the services together was seen as important for meeting the needs of multiple-problem clients.*

Other sources of additional funding included State, local, and foundation funding. One State visited provided State funds for supportive services for JTPA participants so that SDAs could use more of their Federal funds for training. SDAs in that State reported that the State supportive service allocation generally lasted for three quarters of the year. Some States offered additional funding to serve a specific group, such as welfare recipients or high-risk youth, so that services could be expanded. One SDA had obtained some foundation funding but reported that it came with no administrative funds and that the accounting for separate streams was more trouble than it was worth.

By leveraging JTPA funds with non-JTPA funds, SDAs could offer longer term services to their hard-to-serve clients and meet their performance goals. However, in these SDAs, the JTPA costs reported on the JASR in many cases understate the true amount of money being spent on services to JTPA clients.

As we discuss in detail in Chapter X, another way SDAs addressed their cost goals and offered sufficient services to hard-to-serve clients was to make explicit tradeoffs between short-term services to better prepared clients and long-term services to clients with more needs. For instance, one

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*However, for many sparsely populated SDAs, class-size training is impractical, both because it is too difficult to assemble a class from a geographically dispersed area and because the economy will not absorb a class of graduates at one time.

SDA offered job-search assistance to a wide range of clients while limiting its classroom training to those with little work experience. Another offered short-term OJT to clients with work experience to offset the cost of expensive classroom training for less prepared clients. These strategies were also consistent with SDAs' desires to offer the employer community a wide range of potential employees.

Strategies for serving those most in need while still meeting their wage-rate goals were harder to come by. Often, this was the hardest of the adult standards to meet, and some SDAs exceeded it by only a few cents. The most common strategy for maximizing the outcome on this standard was to limit training to occupational areas with a high proportion of higher paying jobs. Other SDAs made explicit tradeoffs by acknowledging that some clients could only get entry-level jobs and offsetting them with clients who could get jobs at wages considerably above the standard. For instance, clients with prior work histories who attained higher paying jobs in areas such as drafting or machine work could balance less job-ready clients who attained lower paying clerical jobs.

Another strategy for getting better wages for hard-to-serve clients was to write "stepped" OJT contracts with employers. Under these contracts, the client started at minimum wage or just above and proceeded through wage increases until a wage at or above the standard was reached. SDAs reported that such contracts were more attractive than an all-or-nothing demand for high starting wages for clients about whom the employer had reservations.

Another SDA practice that improved service to the hard to serve was extensive assessment and orientation sessions, which helped direct clients to appropriate training. This could take the form of a vocational assessment by an outside vendor (for example, Goodwill), tests administered by the SDA, or "try out" sessions in which clients sat in on classes that they were most interested in. Often these try out sessions served as reality tests for clients who had overinflated goals and helped to direct them to the occupational field in which they were most likely to succeed.

Summary and Conclusions

Performance standards had only a limited impact on the SDAs' client goals. Local concerns and PIC priorities for targeting particular client groups were more likely than the performance standards to lead to special outreach and recruitment or specially designed programs for hard-to-serve clients.

Other factors that influenced client goals were State equitable service requirements and client priorities, the 40% youth expenditure requirement, and the characteristics of the applicant pool, which were strongly influenced by environmental factors beyond the SDAs' control, such as the unemployment rate.

The results of the case studies are consistent with the quantitative analysis, which indicates that State policies for serving client groups can increase service to those groups. Furthermore, the weight on the welfare entered-employment rate did not have a strong influence on service to welfare recipients.

The performance standards did not prevent many SDAs from targeting and serving hard-to-serve groups. Strategies for serving these clients included

- Designing special training classes that integrated remediation and world-of-work orientation with occupation skills training,
- Leveraging Title II-A funds with other JTPA funds (for example, 8% or 6%) or non-JTPA funds (for example, State funds or foundation funds),

- Targeting employers who offered health benefits,
- Making explicit tradeoffs between providing hard-to-serve clients with high-cost services and providing more job-ready clients with short-term services, and
- Funding special programs operated by providers with a history of working with clients with other barriers to employment (handicapped, offenders, and limited-English speakers).

The strategies we observed in the case study sites are primarily risk-managing strategies that allowed SDAs to attain their performance goals and to meet their client goals.

X. Impact of Performance Standards on Service Mix, Intensity, and Costs: Evidence from the Qualitative Analysis

Introduction

The JTPA legislation leaves the choice of service design to the discretion of the local SDAs and PICs. Aside from a prohibition of public service employment as a service, the legislation mandates no required service mix or duration. Rather, SDAs, in conjunction with their local PICs, are to choose the mix of services that best meet local needs. Federal performance-standards policies were intended to lead SDAs to choose cost-effective services but not to constrain unduly the SDAs' ability to offer services appropriate to local needs. The qualitative analysis examined whether the Federal performance-standards system had unintended effects on the kinds of services SDAs decided to offer.

Overview of Chapter and Key Findings

This chapter traces the effects of the performance standards on several dimensions of program-service design:

- Service mix. The service mix is the amount of occupational classroom training, OJT, basic skills remediation, and direct job-search assistance offered with Title II-A funds. We found that performance standards had only a modest influence on the service mix offered to adults by case study SDAs. The historical pattern of service delivery, kinds of clients the SDAs wanted to serve, and PIC preferences about service design were greater influences than performance standards.
- The intensity and duration of services. The cost standard had some influence on the intensity and duration of service because SDAs often

wanted to not only meet but to exceed this standard to maximize their 6% awards. Other factors that were equally as important in determining the intensity and duration of services were the availability of non-JTPA funds, the costs of purchasing services from local service providers, and the SDA's goals about the type and number of clients to serve.

- The orientation of youth programs. There were variations in the types of specialized youth programs offered (for example, for out-of-school versus in-school youth). The existence of performance standards for youth did not seem to affect the extent of SDA resources devoted to youth programs per se. However, SDAs that offered competency-oriented programs often found it difficult to meet their entered-employment-rate standard, and SDAs offering employment-oriented programs often found it difficult to meet their positive-termination-rate standard.

The final section of this chapter examines JTPA service costs.

- The costs of JTPA services. There were variations in the range and average costs of serving JTPA participants within and across SDAs. The unit costs of providing JTPA services varied dramatically among SDAs, and this aspect of SDA performance was the least uniformly measured across SDAs due to the wide variation in the extent to which SDAs relied on non-JTPA funds. SDAs were very concerned about reducing JTPA costs to reach as many individuals as possible with limited funds and to exceed their cost standards.

Service Mix

Among the major SDA design decisions about program mix were the following: (1) whether to focus on occupational skills training (for example, classroom training in particular occupational skills or OJT) with the Title II-A funds or to broaden the focus of Title II-A services to include major expenditures for remediation in basic skills and/or direct job-search assistance and (2) whether to emphasize OJT or classroom training or a mix of both within the occupational skills training area.

An Emphasis on Occupational Skills Training or a Broader Range of Services

One interesting outcome in analyzing the service packages offered by SDAs is the extent to which Title II-A funds were used to provide occupational skills training as opposed to other activities. The two categories of occupational skills training offered in the case study SDAs were occupational classroom training in occupational skills and OJT. For adults, the two activities that do not fall into the occupational skills training category are basic skills remediation and direct job-placement/job-search assistance.*

The extent to which JTPA Title II-A activities were oriented toward occupational skills training versus other activities varied substantially among the 30 case study SDAs.

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*The information that we obtained from SDAs included information about the number of terminees or participants receiving each of these categories of service. In general, for basic skills remediation and job-search assistance, we received information about the number of individuals who had been enrolled in this activity as a discreet "stand-alone" service, rather than the total number for whom basic skills remediation or job-search assistance was provided as an integrated part of the curriculum of some other training project. When information obtained from the case studies clarified these relationships, adjustments were made to the numbers obtained from the fiscal/MIS questionnaires.

Of the 28 SDAs in which information was available on the mix of services utilized by adults, 7 SDAs (25%) placed an extremely high emphasis on the provision of occupational skills training, and between 91 and 96% of their Title II-A-funded activities were either OJT or classroom training. These seven SDAs offered little or no direct job-search services to JTPA Title II-A participants as a "stand-alone" service (that is, job-search assistance only). In addition, of the seven, two SDAs offered no basic skills remediation services to Title II-A enrollees; two SDAs used other funding streams to provide basic skills remediation to Title II-A enrollees; and three SDAs integrated basic skills training into the curriculum of occupational classroom training programs.

At the other extreme were five SDAs (18%) that placed a low emphasis on occupational skills training. In these SDAs, over 50% of the adult activities in PY 86 were in basic skills remediation or direct job-search assistance. One might expect these two alternative options to be in tension with each other; that is, that SDAs emphasizing direct job-search assistance would offer little in the way of basic skills remediation or vice versa. In fact, four out of these five SDAs emphasized both direct job-search services and free-standing basic skills remediation projects. (This was also true of several other SDAs with more emphasis on occupational skills training.)

The remaining 16 case study SDAs (57%) had more mixed service strategies. Eight SDAs had a dual emphasis on occupational skills training and direct job-search assistance. The SDAs in this group did not offer basic skills training as a distinct stand-alone service option funded by Title II-A, although some did make basic skills training available by integrating it into occupational skills training curriculum or through another funding source. Five SDAs had a dual emphasis on occupational skills training and basic skills training with little emphasis on direct job-search assistance. Three SDAs could be characterized as using both basic skills training and direct job-search assistance to balance their primary focus on occupational skills training.

The Decision to Emphasize Occupational Skills Training. The SDAs that emphasized occupational skills training to the exclusion of basic skills training or direct job-search assistance generally thought of occupational skills training as the core service of the JTPA program. A number of these SDAs incorporated basic skills remediation into specific occupational skills training projects but did not offer "stand-alone" remediation components. Similarly, these SDAs sometimes offered training in job-search skills as part of occupational skills training curriculum but not as a free-standing service component.

The SDAs' reasons for their emphasis on occupational skills training were diverse. Some SDAs liked the convenience of "one-stop shopping," both for the clients and for the SDA. For clients, the existence of an integrated service component addressing all of a given client's service needs reduced the likelihood that the client would get lost in the system and increased the likelihood that the client would progress smoothly from basic skills remediation to skills training to placement. For the SDA, the existence of a single service component for each client meant that costs per client were simpler to plan in advance and that service-provider responsibility for placing the client at the conclusion of training was clearer.

For other SDAs, their emphasis on occupational skills training was based on an assessment that other activities were already available from other community resources and were more appropriately offered outside of Title II-A funding. A number of the case study SDAs were wary of being diverted from occupational skills training to address the substantial deficits in basic skills exhibited by the JTPA applicant pool. Some said, "Basic skills are the responsibility of the educational system, not of JTPA." Others carefully rationed the extent of basic skills remediation available through Title II-A funding and looked to other funding sources, such as JTPA 8%, to respond to more extensive basic skills training needs.

Although some SDAs considered direct job-search services to be an appropriate response to the needs of some portion of their applicant pool, other SDAs made a policy decision to avoid "direct placement only" services. The reasons for this position included the desire to differentiate JTPA from the placement-oriented function of the State employment service; the sense that job-search services were not intensive enough an intervention for most of the individuals in the JTPA applicant pool; and the position that individuals who could be placed with direct job-search services could probably find jobs on their own without JTPA assistance.

The Decision to Emphasize Remediation in Basic Skills. Although only one of the case study SDAs offered free-standing basic skills training to more than 25% of their adult clients, a number of SDAs were increasing their emphasis on basic skills training. The reasons for this were twofold. First, those SDAs that had a local goal of serving welfare recipients or other hard-to-serve groups saw basic skills remediation as an essential service component. Second, those SDAs in labor markets with declining unemployment rates found that their more disadvantaged applicant pool had a greater need for basic skills remediation.

Because basic skills remediation was usually seen as only the first step in developing client employability, to be followed by occupational skills training, the SDAs we visited were wary about how much basic skills training they could afford to offer. Their concerns had to do with both the higher cost of the sequence of services and the possibility that their entered-employment rate might be affected by clients who dropped out of the service program after the remediation phase.

Usually SDAs decided to ration adult remediation through one of two methods. A number of SDAs established basic skill levels (reading and math performance) below which they decided to refer individuals to other educational resources rather than enrolling the individual in JTPA programs. This minimum entry-level requirement was set at different points in different SDAs, ranging from a fifth grade reading and math level to an eighth or ninth grade level. Only one of the case study SDAs specifically stated that it used Title II-A funds to offer basic skills remediation to individuals reading below the fifth grade level. The second way of rationing the delivery of basic skills training was to set an absolute time limit on the duration of basic skills training that could be funded using Title II-A funds. Among the SDAs that used this method, the time limit ranged from 6 weeks to 1 year.

The Decision to Emphasize Job-Search Assistance. Eight of the case study SDAs (29%) placed an especially high emphasis in their service mix on the provision of job-search assistance as a stand-alone service. In these eight SDAs, job-search assistance (including direct placements) accounted for between 35 and 62% of all activities received by adults. Given the limited intensity of most job-search assistance services, this pattern is somewhat troubling. Thus, we made an effort to trace why direct job-search services received such an emphasis in these SDAs and to what extent this design decision was influenced by the existence of the performance standards.

For SDAs that are oriented toward performing well on the performance standards without countervailing concerns about serving hard-to-serve clients or offering quality services, an emphasis on job-search services could offer the opportunity to pursue "risk avoidance" objectives. First, if individuals are enrolled in job-search programs only after they obtain placements (as was described in one of the case study SDAs), expanding this type of service could increase the overall entered-employment rate for the SDA. Second, if an SDA has difficulty or fears that it will have difficulty meeting the cost-per-entered-employment standard, emphasizing job-search assistance offers an inexpensive way to increase the number of entered employments. (However, SDAs using this strategy have discovered that it also tends to lower the average wage at placement.)

However, despite our hypothesis that job-search assistance would be used at the expense of services to hard-to-serve clients, only two of the eight SDAs with the greatest emphasis on job-search assistance used this design choice as part of a "risk avoidance" strategy without offering more intensive services to clients with the greatest barriers to employment. One of these SDAs said that it screened JTPA applicants and referred those with the highest probability of success to classroom training in occupational skills and those with the least skills to a minimal job-search component, from which they were enrolled in JTPA programs only if and when they located a job through their own efforts. The other SDA in this category was so oriented toward overachieving on the cost-per-entered-employment standard that it offered services of limited duration to all clients and did not utilize the savings from the job-search component to offer more costly services to clients with greater skill deficiencies.

The remaining SDAs that emphasized job-search assistance used it as part of a complicated "risk management" strategy. The inclusion of job-search assistance services was directly or indirectly related to the SDAs' commitment to offer appropriate services to hard-to-serve clients. In two of these SDAs, special projects operated by community-based organizations that were committed to reaching hard-to-serve clients used direct job development to meet the needs of these clients. In four of the six SDAs, the unit cost savings associated with the job-search assistance component for the most job-ready clients provided enough leeway to permit the SDA to offer more basic skills remediation or other more intensive services to clients with greater employment barriers. Those case study SDAs that were most interested in expanding basic skills remediation to meet the needs of their applicant pools were among those SDAs that balanced the expense of these services with less expensive job-search assistance services.

It is not clear what role job-search assistance would have played in the service mix offered by the case study SDAs in the absence of the performance standards. Some SDAs would have discarded or reduced the size of this component. Other SDAs said that job-search services had a definite place within the package of available services, even without the performance standards.

In assessing the influence of the performance standards on the decision to emphasize the delivery of job-search services, it is important to note that the eight SDAs with the highest emphasis on such services were performing substantially below their cost-per-entered-employment standard in PY 86. Six of these SDAs had achieved average costs of less than 60% of their cost standard, and all eight were below 76% of their cost standards. Thus, in theory, at least, they would have been able to substantially increase the intensity of their services even without the heavy emphasis on direct placements.

Another possible hypothesis is that State policies encouraging overperformance on the standards rather than the standards themselves were responsible for the high emphasis on job-search assistance in some SDAs.

However, only two of the eight SDAs with the greatest emphasis on direct placements are from States that reward overperformance on the standards, which is consistent with the quantitative results that found policies emphasizing exceeding standards did not significantly increase the amount of job-search assistance.

Thus, if the standards are responsible for the use of job-search assistance services, it is not through any direct effect of cost limitations imposed by the performance standards. It is still possible that SDAs are responding to a misperception that the standards require low-cost services or through a sense of competition among SDAs for high measured performance that feeds on itself.

As discussed elsewhere in this report, we found that the reduction in overall JTPA funding levels associated with declining unemployment rates in 24 of the 30 (80%) case study sites was at least as important as the performance standards in causing SDAs to reduce unit costs. In the environment of declining funds, many of the case study SDAs felt compelled to reduce unit costs to stretch the reduced funds over as many participants as possible.

Three of the eight SDAs with the greatest emphasis on job-search services in their service mix are planning to shift toward a more intensive service mix in PY 88. One SDA has identified the introduction of follow-up standards as the impetus to make the shift. The other two SDAs say they "overshot" their goal in trying to design cost-effective services and would like to make the services more intensive in response to client needs.

Variations in the Use of OJT Versus Classroom Training

Another important dimension of the design of SDA service packages is the relative emphasis on classroom training versus OJT within the occupational skills training category.

The extent to which SDAs emphasized OJT versus classroom training varied dramatically across the 30 case study sites. Of the 29 SDAs for which percentages could be computed, 10 SDAs (34%) strongly emphasized classroom training as a mode of occupational skills training, with classroom training accounting for 75 to 100% of all occupational training. Reasons for this emphasis included the following:

- OJT was not appropriate for the characteristics of the applicant pool, which had shifted to less job-ready clients needing more remediation or more intensive services (4 SDAs).
- OJT was not viewed as being appropriate for the "full employment" economy in which employers were desperate to find workers (1 SDA).
- Classroom training was viewed to be a "better buy" because it enabled SDAs to leverage non-JTPA funds through purchasing services from publicly funded educational institutions (1 SDA).
- Classroom training was viewed as more appropriate to the needs of the desired target group—welfare mothers (1 SDA).
- OJT was used only for a very specific purpose, to persuade employers in new downtown developments to hire JTPA clients (1 SDA).
- The SDA had not shifted from the service mix used under CETA which emphasized classroom training (2 SDAs).

At the other extreme, another 10 SDAs (34%) utilized a particularly high proportion of OJT within their service packages, with OJT accounting for over 50% of the occupational skills training total. The most common explanation given for this emphasis was "because the PIC likes OJT." This explanation was offered by five SDAs. Other reasons for emphasizing OJT in the service mix were

- Employers were really interested in having the SDA recruit and screen workers in a tight labor market (2 SDAs).
- Clients who needed immediate income preferred OJT (1 SDA).
- OJT was relatively inexpensive compared with classroom training (3 SDAs).
- The number of potential classroom training providers was very limited (1 SDA).
- OJT was viewed as appropriate for individuals with limited work experience who wouldn't be able to succeed in classroom training (2 SDAs).
- OJT was attractive because a high placement level is practically guaranteed (2 SDAs).
- OJT was part of a strategy to secure higher wage jobs for those with low skills (2 SDAs).

The remaining nine SDAs (31%) utilized a mix of occupational skills training in which OJT accounted for between 26 and 50% of the total of classroom training plus OJT activities. In these SDAs, not surprisingly, less clear-cut reasons were given for preferring one mode of occupational training over another.

None of the reasons given by the case study SDAs about why they decided to emphasize or de-emphasize OJT referenced the performance standards directly. This design decision is based more on other factors—PIC input, the historical use of specific service providers, and the extent to which OJT is felt to be appropriate to the needs of the applicant pool—than on the existence of performance standards. Again, the quantitative results are consistent: State policies emphasizing exceeding standards did not significantly affect the amount of OJT services provided.

In some SDAs, OJT was a cheaper service component to operate than classroom training. Thus, the desire to spread limited funds over more enrollees also came into play in the decision about how much to emphasize OJT. SDAs varied dramatically in how they view OJT, including whether it was seen as a service to employers or clients, whether it was viewed as increasing employment skills, and whether it was viewed as appropriate for more job-ready or less job-ready clients. These variations were accompanied by variations in the average duration of OJT (from 3 weeks in some case study SDAs to an average of 6 to 9 months in other SDAs).

Variations in the Intensity and Duration of JTPA Services

One of the most important dimensions of service design examined for this study was the variation in the intensity of the services offered to individual participants. One of the accusations leveled at the performance-standards system by its critics is that the performance standards have caused SDAs to emphasize short and superficial service interventions. The case studies offered information about the average duration of various service components and how SDAs decided how much of each service would be available to JTPA enrollees. In addition, the case study materials described variations across SDAs in the extent to which individual enrollees were sequenced through more than one service or enrolled in only a single service. Finally, the case studies explored the extent to which additional resources were being used to supplement the services paid for with Title II-A funds. Taken together, these dimensions of service design comprise the richness (or poverty) of the JTPA program in responding to the needs of individuals with severe employment barriers.

There was tremendous variation in the average duration of individual services offered by the case study SDAs. In some

SDAs, OJT averaged 3 weeks in length; in other SDAs 8 months was the average duration and 12 months was the maximum duration of OJT. Similarly, classroom training ranged from an average length of 13 weeks in some SDAs to an average length of 9 months to 1 year in others. Several SDAs would pay for up to 2 years of occupational classroom training, and one SDA even authorized 4-year classroom training plans.

Average figures on total time enrolled in a program were not very helpful in disentangling the variations across SDAs because these averages depended, in turn, on how much variation there was within an individual SDA in the length of time individuals are enrolled. In SDAs that utilized direct placement components, the short duration of these services (usually less than 1 month and as short as 1 day) made the average duration across the SDA short even if occupational skills training components offered relatively intensive services to other participants.

The intensity of the service package offered in each SDA was influenced by a series of factors, including

- The availability of funds to supplement Title II-A funds in purchasing services for enrollees,
- The costs of the service delivery options used in that SDA (including the cost of operation of various service providers and the costs of providing various service modules),
- The SDA's goals about what types of clients it wanted to serve and the intensity and types of services they required,
- The desire to offer JTPA services to as many participants as possible,
- The cost constraints created by the cost-per-entered-employment standard (and to a lesser extent the cost-per-positive-termination standard), and
- The extent to which the SDA wants to meet or exceed its cost standard.

We found the following typology useful in summarizing the variations across SDAs in service intensity. The average cost to Title II-A of providing services enters into this typology because it represents the resource constraint within which SDAs are making design decisions. SDAs appear to fall into the following five categories in terms of the intensity of the services they offer:

Type 1: short and inexpensive services;
Type 2: long and inexpensive services;
Type 3: much variation across services (some short and inexpensive; some long and expensive);
Type 4: little variation across services; and
Type 5: short and expensive services.

Type 1 SDAs—with short and inexpensive services—of which we identified two (7%) within our case study sample, spent between $2,200 and 2,300 per adult-entered-employment outcome. For both SDAs, this expenditure level was substantially lower than their cost standard, reaching only 60% or less of the average cost that would have been permitted by the cost standard.

For this average expenditure, one SDA offered a 3- to 4-week OJT program, a high proportion of job-search assistance, a half day pre-employment YEC curriculum, up to 10 weeks of remedial education, and occupational classroom training to only 15% of all adult terminees. The other SDA in this category offered slightly longer services: OJT lasting an average of 8 weeks, classroom training lasting up to 16 weeks, and between 30 and 40% of all terminees receiving job-search assistance only. Although one SDA did not emphasize supplementing JTPA Title II-A expenditures with other funding sources, the other Type 1 SDA gave priority to service providers that could use alternative funding sources to support their particular projects, resulting in low unit prices for delivery of quality services.

Type 1 SDAs, with relatively inexpensive and short-term services, appear to be highly influenced by a desire to exceed their cost standards in order to maximize their incentive award. Both Type 1 SDAs are located in States where "overperforming" on the standards results in the highest possible incentive awards, and staff from both SDAs reported that they were motivated by a desire to get the largest incentive award possible. Thus, the outcome in these SDAs reflects a rather one-sided emphasis on low costs, without a balancing concern for obtaining quality jobs or reaching hard-to-serve clients.

Both Type 1 SDAs decided after the fact that their program design during PY 86 had been an overreaction to the cost standards. They both were considering shifting their program mix in subsequent years to increase the intensity of the services provided. One SDA was planning to cut back on the proportion of job-search services; the other was trying to decide whether to increase the amount of basic skills remediation or to increase the intensity of occupational skills training.

Type 2 SDAs—with long and inexpensive services—were more frequent than Type 1 SDAs. Six case study SDAs (20%) belong in this category. All of these SDAs had exceptionally low costs per entered employment (ranging from 33 to 56% of their standards) but were able to offer particularly long or enriched program alternatives to their enrollees. Five of these six SDAs used public educational institutions (primarily community colleges) to offer classroom training to JTPA enrollees. Three of these six SDAs were from a State where community college tuition cost less than $100 per quarter and were thus able to offer at least 26 weeks and often up to 2 years, or in one SDA, even 4 years of classroom training to JTPA participants.

The OJT duration ranged from 6 months to 1 year in these SDAs. (It is not clear in this case whether the intensity of services benefited the employers, the trainees, or both.) One of the six Type 2 SDAs was able to offer an enriched package of services because it supplemented JTPA resources with funding from a State welfare initiative and, in addition, obtained low tuition from a public educational institution for classroom training.

Four of the six Type 2 SDAs emphasized "sequencing" from one service to another for individual enrollees. The sequencing was primarily from basic skills remediation to occupational skills training, but in several SDAs it involved more complicated sequences, including, for example, basic skills training, followed by work experience, followed by OJT. In one of the Type 2 SDAs, about 30% of the individuals who received classroom training went on to participate in OJT before being placed.

Type 2 SDAs, which offer long-term and inexpensive services, were fortunate that the existence of the cost standards did not constrain their ability to offer intensive services. Many of these SDAs were able to take advantage of inexpensive classroom skills training from public educational institutions or were able to supplement Title II-A funds with funds from a State work-welfare initiative. A number of these SDAs said that the performance standards had no effect on the development of their program design. Although they were able to offer long-term classroom training, these SDAs were not particularly notable in their efforts to recruit particularly hard-to-serve client groups who might have found it difficult to take advantage of training from mainstream educational institutions.

Type 3 SDAs—with much variation across services—included several of the SDAs that utilized large proportions of job-search assistance but that took advantage of the cost savings generated by this component to offer richer occupational skills training services. (Although we did not find SDAs that offered long and expensive services to all participants, SDAs in this category offered such services to selected clients.) We identified five Type 3 SDAs (17%). Like Type 1 and Type 2 SDAs, these SDAs were performing well on their cost-per-entered-employment standards (with costs ranging from 30 to 62% below these standards in PY 86). On average, these SDAs offered up to 6 months of classroom training. Three of the five SDAs also offered substantial basic skills components within Title II-A funded activities, and a fourth had an extensive basic skills curriculum funded from other sources. In two of the five SDAs, welfare system funding was used to supplement JTPA funding in enriching the package of services available to qualified JTPA participants.

Three of the five Type 3 SDAs, which combined an emphasis on job-search assistance for some clients with the ability to offer more intensive services to other clients, were central city SDAs with an identifiable pool of hard-to-serve clients who needed basic skills remediation and other more intensive services to obtain employment. One of the five SDAs in this category, however, had very little commitment to reaching hard-to-serve clients and selected the most employable clients into the intensive services, leaving the most needy clients to find jobs by themselves using the job-search component. All five SDAs in this category escaped direct pressures from the cost-per-entered-employment standard by using job-search services to lower unit costs. Perhaps as a result, two of the five had a hard time meeting their average wage-at-placement standard.

Type 4 SDAs—with little variation across services—tended to stretch the available funds as far as they could but were starting to reduce the duration of different services to cut costs. We included 15 SDAs (50%) in this category. Because these SDAs did not emphasize job-search services to generate some low-cost placements, they ensured that they met their cost objectives by limiting the duration of the rest of the services they offered. The average duration of classroom training in these SDAs ranged from 4 to 6 months, and OJT averaged 3 months. Basic skills remediation was often felt to be an important service in these areas, but time limits were usually placed on the receipt of remedial training to ensure that cost limits were not exceeded.

Thirteen of the 15 SDAs in this category used some other funding source to supplement the expenditures from Title II-A funds. Welfare system funds were used to supplement Title II-A funds in four SDAs; JTPA 8% funds were used to support additional services to Title II-A enrollees in two SDAs; vocational rehabilitation funds were used to supplement Title II-A funds in serving handicapped participants in two SDAs; and public educational institutions offered a cost advantage as classroom training providers in eight SDAs. Despite these additional resources, the Type 4 SDAs were spending at levels closer to their cost-per-entered-employment standards than other SDAs. Only 2 of the 15 SDAs were under 60% of the cost standard. Five Type 4 SDAs were between 60 and 80% of their cost standard. Six SDAs were between 80 and 100% of the cost standard, and two SDAs in this category had exceeded their cost-per-entered-employment standard, one by 40% and one by 28%.

Type 5 SDAs—with short and expensive services—are similar to Type 4 SDAs except they have reached their funding limits at relatively meager levels of service. We identified two Type 5 SDAs (7%). One SDA limited classroom training duration to 13 weeks; the other averaged 12 to 16 weeks for both classroom training and OJT. What is distinctive about these SDAs is that their average cost per entered employment for adults in both cases exceeds $4,000 for this low level of service. Their costs are 89 and 74% of their cost standards, respectively, without much room to add more intensive services within the standards limits. One of these SDAs used public educational institutions that give JTPA participants a reduced tuition rate; the other did not supplement JTPA Title II-A resources to enrich its service package or to reduce its costs.

The 15 Type 4 SDAs and the 2 Type 5 SDAs were beginning to feel pinched (and in some cases squeezed) by the cost-per-entered-employment standard. In these cases, the performance standards were directly responsible for reductions in the duration of specific training components and the deletion of training in some occupations that were viewed as more expensive than the SDA could afford. Although they wanted to respond to the needs of hard-to-serve clients, these SDAs were struggling with how to make tradeoffs between offering more remedial education (but not more than they could afford) and offering more intensive occupational training. SDAs in rural areas or without the ability to leverage other funding sources were particularly pressured because of the cost limits represented by the standards. Nevertheless, only 2 of these 17 SDAs failed to meet the cost standard in PY 86, and neither was particularly upset about missing the standard.

Variations in the Extent and Types of Specialized Youth Programs

The 30 case study SDAs varied widely in the percentage of youth served, ranging from 21 to 60%. The case study SDAs also varied widely in the extent to which youth were served in mainstream (adult) occupational skills training programs. In most cases, when youth did participate in occupational skills training programs, they did so alongside adult JTPA participants (although one SDA established a separate youth OJT contract to make sure that youth had access to this service option). Of the 25 SDAs for which data are available, 8 SDAs (32%) have a high emphasis on occupational skills training for youth, with over 60% of all youth activities consisting of either classroom training or OJT. Another 13 SDAs (52%) have a low emphasis on occupational skills training for youth, with less than 30% of all youth activities consisting of either classroom training or OJT. The remaining 4 SDAs (16%) have a more mixed service strategy for youth, with from 30 to 60% of all youth activities consisting of either classroom training or OJT.

When they did not participate in mainstream occupational skills training, youth participated in a variety of activities, including remedial basic skills training (either youth specific or mainstream), job-search assistance (either youth specific or mainstream), a variety of projects oriented toward achieving youth employment competencies, and work experience or tryout employment activities.

Factors that influenced SDAs in their design of youth programs were

- The Federal requirement for 40% youth expenditures and the role played by the States in adjusting and monitoring this requirement;
- The extent to which there was local PIC support for developing programs for in-school youth;
- The extent to which the local school districts were willing to coordinate with JTPA programs to identify prospective participants and even to integrate JTPA-funded programs into the regular school curriculum; and
- Whether SDAs had trouble meeting its youth performance standards, and if so, whether the SDA desired to make changes in its program design or implementation practices to improve its measured performance on the youth standards.

In some SDAs, specialized youth

programs were designed to achieve YECs as the desired objective. In other SDAs, YECs were tracked, but the primary SDA objective was to place youth in employment at the conclusion of training. Most of the SDAs we visited targeted YEC-oriented programs toward in-school youth and used employment-oriented programs for out-of-school youth. However, some of the case study SDAs integrated YEC reporting systems into all their occupational skills training programs so that youth served by any of these programs could get credit for participants' achieving youth competencies as well as obtaining employment. At least 4 of the 30 case study SDAs (13%) expressed dislike (one labeled it "disdain") for the YEC system promulgated by DOL, and seven SDAs (23%) said they preferred to orient all their youth programs toward achieving employment. However, six of these seven SDAs had implemented YEC systems to capture the necessary youth positive-termination outcomes to meet the positive-termination-rate standard.

As with the design of the adult activities, SDAs were influenced initially and primarily by their local goals on which groups of youth they wanted to serve and whether they wanted to operate a separate set of youth-oriented programs. Federal youth expenditure requirements, as adjusted and monitored by the States, were an important influence on program design for a number of SDAs. At least four of the case study SDAs (13%) made a point of saying that without the youth expenditure requirement, they would have devoted fewer resources to youth programs. Particularly in tight labor markets, youth were seen as difficult to attract into training programs and difficult to retain in those programs until the completion of training.

Furthermore, SDAs that were trying to target "high-risk" youth found this group more unpredictable and less likely to achieve good outcomes than comparable "high-risk" adults. In other SDAs, the youth expenditure requirement was consistent with a local desire to place a high priority on services to youth and did not alter the locally devised program design.

Equitable service requirements for dropouts also influenced youth programs and, when emphasized by State monitors, caused some SDAs to try to target youth dropouts by using special projects. These efforts were not always successful. One case study SDA told of funding a special project for youth dropouts that succeeding in enrolling only six youth and placing only one participant into a job. (This project was cancelled after about 6 months.)

Of the 30 case study SDAs, 27 (90%) reported using some specialized youth programs under Title II-A. In the summary that follows, some SDAs' approaches fit under more than one category.

- Fourteen SDAs (52%) were operating programs for in-school youth. Of these 14 programs, 7 were oriented toward achieving YECs, 4 were oriented toward employment outcomes, and the orientation of 3 was not known.
- Ten SDAs (37%) used work experience or tryout employment as part of their specialized youth programs, followed by placement in part-time employment (for in-school youth) or full-time employment (for out-of-school youth or youth about to graduate).
- Five SDAs (19%) oriented at least part of their special youth programs to dropout prevention projects. One SDA designed an intensive 4-year program for potential dropouts, starting from age 14 through graduation. One SDA used direct placement of youth in part-time employment as part of a dropout reduction strategy

for in-school youth.

- Twelve SDAs (44%) offered pre-employment/work maturity YEC curricula for out-of-school youth. Of these projects, three were particularly short term (one lasted a half day, one lasted 4 days, and one lasted 3 weeks). Two of the three were intended to be used as a front-end service followed by a more intensive intervention. The remaining nine YEC curricula were longer term projects.
- Five SDAs (19%) offered other special projects for out-of-school youth. Of these five projects, four were oriented to remediation in basic skills and obtaining a GED, and one was a youth-specific OJT project.

The existence of performance standards for youth did not seem to affect the extent of SDA resources devoted to youth programs per se. However, the performance standards for youth were more problematic for many SDAs at the outset of JTPA than the adult standards, and more "fine-tuning" program-design responses resulted than with the adult standards. This was due to the differences between programs offered to in-school versus out-of-school youth. Staff and PICs in many SDAs were engaged in intensive debates about the extent to which JTPA programs should be offering employment-oriented or competency-oriented training. SDAs that chose to emphasize competency-oriented services often found it difficult to meet their entered-employment-rate standard, while those emphasizing employment-oriented programs often found it difficult to meet their positive-termination-rate standard.

In some cases, this tension between the standards influenced the balance between employment-oriented and competency-oriented projects:

- Three of the case study SDAs said they had added a YEC system only after missing the positive-termination-rate standard the first year of JTPA.
- Two SDAs had implemented "quick and dirty" front-end YEC curricula that they required of all youth entering JTPA programs, to ensure that the SDAs could meet their youth positive-termination-rate standard.
- One SDA was still resisting implementing a YEC system, despite missing two youth standards several years in a row after getting a State adjustment because it was operating an employment-oriented program for youth.
- One SDA decided to exclude 14- and 15-year-old youth from its in-school youth program after discovering that serving this age group substantially lowered their cost-per-positive-termination standard. (They felt they were serving a very troubled youth population and one that required more intensive services than usual, rather than less intensive as the model indicated.)
- One SDA used 6% money (exempt from the standards in that State) to operate a program for high-risk youth because it felt the positive-termination-rate standard was set too high to serve high-risk youth under the performance standards.

In our case study SDAs in PY 86, two SDAs missed the youth entered-employment-rate standard (one by only a tiny amount), one SDA missed the positive-termination-rate standard, and two SDAs missed the cost-per-positive-termination standard. Two SDAs missed two youth standards, and the rest missed only one. In response to these performance difficulties:

- One SDA planned to totally redesign its in-school youth program and contracting practices with youth providers to obtain better control over the outcomes generated by the program. (This was one of the two SDAs that missed two youth standards and is also the SDA that has resisted implementing YECs.)
- One SDA had missed four standards, including all the youth standards, and was planning to increase the number of different service providers and cut the size of risky programs in response to its performance.
- One SDA was not really interested in a large incentive award and did well on the other standards, so it was not too perturbed by missing the youth entered-employment-rate standard, although it only achieved 23% of entered employments for youth instead of the required 32%.
- One SDA that missed its cost-per-positive-termination standard decided to stop serving 14- and 15-year-old youth in its in-school program.

At the time of our site visits, the case study SDAs could not yet predict how the new configuration of youth standards for PY 88 would alter their incentives or their youth program-design strategies. It is interesting to note, however, that relatively few of the case study sites had implemented YECs for basic skills training or occupational skills training, and the few that had more than one type of YEC rarely measured deficiencies or attempted to correct deficiencies in more than one area for any given JTPA participant.

Variations in the Costs of JTPA Services

As the quantitative analysis has shown, the costs of providing JTPA services varied dramatically from SDA to SDA. Within the case study sample, the average cost per entered employment for adults in PY 86 ranged from $1,334 to 7,200, and the average cost per youth positive termination ranged from a low of $1,250 to 5,699.

The SDAs that we visited did not consider achieving a specific average cost as valuable in and of itself. Rather, SDAs set cost goals that set forth the resource constraints within which other local goals had to be addressed. The availability of additional resources to supplement JTPA expenditures and the cost of purchasing training from existing educational institutions were important local factors shaping the average costs reported by the JTPA system. Furthermore, as discussed in the previous section, average cost figures often disguised tremendous variation within a given SDA in the duration and cost of services received by different JTPA participants.

Nevertheless, SDAs were very concerned about reducing average JTPA costs for two reasons. First, a majority of the SDAs in the case study sample (and in the Nation) were experiencing declining unemployment rates during PY 86. Because the JTPA Title II-A funding allocation formula is very sensitive to local unemployment rates, this meant that their total funding levels were getting smaller from year to year. For some SDAs, the level of JTPA funding had dropped by 50% since the beginning of JTPA, and allocations for PY 87 and PY 88 were continuing to drop sharply.

Many of these SDAs were reaching a funding level that required a dramatic retrenching and program redesign. Others were able to get by with essentially the same program design by reducing the size of individual projects and putting pressure on contractors to reduce costs. Whichever program-design response was necessary, the SDAs facing reduced training funds had to decide whether to serve a smaller volume of participants and keep the average cost of services stable or to serve as many participants as before by cutting the average cost of the services received. Almost universally, the SDAs in the case study sample had decided to reach as many individuals as they possibly could without diluting the service intensity beyond reason.

A total of 16 of the 30 SDAs visited (53%) were in the process of substantial retrenchment due to declining Title II-A funding streams. Responses included the following:

- Looking for opportunities to leverage JTPA funds with other funds,
- Funding special projects that appeared to be particularly cost-effective,
- Limiting the duration of training programs (for example, cutting the length of specific training projects or reducing the average length of classroom training or OJT across the board),
- Shifting the program mix from more expensive to less expensive service components,
- Eliminating particular training programs that were viewed as being too expensive (for example, a 2-year electronic technician training program in one SDA and licensed vocational nurse training in several SDAs),
- Putting pressure on contractors to reduce their unit costs,
- Utilizing contractors that had a track record of fulfilling their goals, and
- Trying new programs cautiously and deleting them if they did not seem to be working.

The second reason that SDAs were concerned about lowering their average costs was the existence of the cost performance standards. However, most SDAs in the case study sample were already performing at levels that were far below (better than) their cost standards. Thirteen of the case-study SDAs (43%) had costs per entered employment that were at or below 60% of their cost standard in PY 86. Only 5 (17%) SDAs had expenditures above 90% of their cost standard. (Two of these SDAs failed their adult cost standard in PY 86.) Although SDAs may have adjusted their program mix initially to make sure they would meet their cost standards, the actual standards themselves were not at a level in PY 86 that would have caused additional reductions in service intensity and cost.

However, as discussed in the quantitative analysis, some States award incentive funds according to a formula that (1) rewarded SDAs according to the extent they exceeded a standard, with a higher award going to SDAs that exceeded their standard by a greater proportion, and (2) unintentionally gave greater weight to the cost standards than other standards by averaging the extent all standards were exceeded (because there was more potential for exceeding the cost standards by a higher percentage than there was for other standards). Some SDAs facing these incentives chose to exceed their cost standards (that is, spend less than the standards) by a great deal to maximize their incentive awards. Under these circumstances, the cost standards levels took on a heightened management significance for the SDA.

Summary and Conclusions

Performance standards had little influence on the service mix offered to adults by SDAs in the case studies. A few SDAs mentioned the standards when explaining their emphasis on OJT over classroom training. However, the bigger influences on service mix were

- The SDA's historical pattern of service delivery, as evolved from the CETA program,
- The SDA's goals for serving different

client groups, and

- PIC preferences about what services to emphasize in the SDA service package.

SDAs exhibited wide variation in the intensity and duration of JTPA services; the case study sites fell into five categories:

- Short and inexpensive services (2 SDAs, 7%),
- Long and inexpensive services (6 SDAs, 20%),
- Much variation across services (5 SDAs, 17%),
- Little variation across services (15 SDAs, 50%), and
- Short and expensive services (2 SDAs, 7%).

The existence of performance standards for youth did not seem to affect the extent of SDA resources devoted to youth programs per se. Local goals about whether to run employment-oriented or competency-oriented programs for youth as well as the Federal requirement to spend 40% of JTPA funds on youth had greater influences than the standards.

Some SDAs felt that the existence of the two outcome standards for youth unduly constrained their youth programming. SDAs that offered competency-oriented programs often found it difficult to meet their entered-employment-rate standard, and SDAs offering employment-oriented programs often found it difficult to meet their positive-termination-rate standard.

Although a number of SDAs had instituted YEC systems only after missing their positive-termination-rate standard, one SDA was still resisting implementing such a system in spite of continuing to miss the standard.

The cost standard had some influence on service design because SDAs often wanted to not only meet but exceed this standard to maximize their 6% awards. However, other factors were equally as important in determining the intensity and duration of services. These included

- The availability of funds to supplement Title II-A funds in purchasing services,
- The cost of the various service packages available from the service providers in the SDA,
- The SDA's goals about the types of clients it wanted to serve and the intensity and types of services that they required, and
- The desire to spread JTPA funds over as many clients as possible.

The unit costs of providing JTPA services varied dramatically between SDAs, and average cost figures often disguised substantial variation within SDAs in the duration and intensity of services received by different participants. SDAs were very concerned about reducing average JTPA costs for two reasons.

- First, a majority of SDAs were experiencing declining JTPA allocations (due to declining unemployment rates), which required a decision about whether to serve a smaller volume of participants and keep the average cost of services stable or to try to serve as many participants as before by cutting the average cost of the services. Almost universally, the SDAs visited had decided to try to reach as many individuals as possible without diluting the service intensity beyond reason.
- Second, some SDAs desired to exceed the cost performance standard. Although the vast majority were in no danger of missing this standard, the emphasis on overperforming grew out of a desire to maximize their in-

centive awards.

The qualitative analysis found that performance standards had unintended effects only in SDAs without well-defined client and service goals, which were rare. We found, for example, only two SDAs that chose to offer substantial amounts of job-search assistance as a risk avoidance response to performance standards. We conclude that only 10 to 20% of the SDAs in the case study sample made substantial modifications to their program design in response to performance standards. Although the 30 case study SDAs were chosen to be as representative of all SDAs as possible, we studied only a small sample and it is possible that performance standards had unintended effects in a different proportion of all SDAs.

We classified SDA reactions in the case study sample using information from the in-depth interviews that is not available in the quantitative survey of all SDAs. Nonetheless, the quantitative information available is consistent with the qualitative conclusions. For example, we find that the average effects of performance standards are quite modest, which is consistent with the qualitative findings of large impacts in only a small number of SDAs. We also found that the proportion of SDAs offering substantial amounts of job-search assistance is similar in the qualitative and quantitative samples. Furthermore, the director questionnaire asked directors to rate how influential performance standards were in their choice of services, and approximately 20% responded that performance standards were extremely influential. Thus, although we cannot say with certainty that the proportion of case study SDAs with substantial reactions to performance standards can be generalized to all SDAs, the information available in the quantitative sample is consistent with that in the qualitative sample.

XI. Impact of Performance Standards on SDA Management Practices: Evidence from the Qualitative Analysis

Introduction

As demonstrated in the quantitative analysis, SDAs' choices about the procedures for enrolling clients into program services and choices about how to deliver services affect clients, services, and costs. Furthermore, some SDAs' choices about management practice were influenced by performance standards. In the case studies, we explored the various ways that SDAs chose to manage the JTPA program and the factors that influenced SDAs' choices of management practices.

Overview of Chapter and Key Findings

In this chapter, we begin by describing SDA management goals and some of the management practices that SDAs adopted in response to concerns about specific performance standards. Most of these practices represent risk management rather than risk avoidance strategies.

We next describe the major variations in SDA practices in several management areas, including

- SDA and service-provider practices in assessing applicant skills, assigning clients to particular services, and enrolling clients. Most case study SDAs maintained centralized control over client intake. The extent of SDA control, however, was not related to the extent of service to the hard to serve.
- Division of responsibilities between SDAs and service providers concerning placement, and practices affecting the timing of client termination. Most SDAs give service providers primary responsibility for placing clients.
- SDA practices surrounding the selection of service providers. SDA

decisions about retaining providers and the size of their funds was affected by providers' past performance although other factors were more important, including availability of alternative providers and characteristics of the local economy.

- SDA performance expectations for service providers and how SDAs communicate them to the providers through contract terms, monitoring, and related practices. Nearly all SDAs built performance expectations into both performance-based and cost-reimbursement contracts. SDAs also used many noncontractual procedures to ensure high performance.

The final section describes service providers' responses to performance expectations. As was the case with SDAs, service providers varied in the extent to which performance goals were given precedence over other organizational goals. Most providers could meet their performance goals without substantial revision to program design or client selection.

SDA Management Goals: Case Study Findings on Competing SDA Objectives

As the administrative entity responsible for expending JTPA funds in its local service delivery area, each SDA has the task of implementing a program that will further a variety of management goals. Exhibit 8 lists some of the goals that are generic to this management responsibility. The specific content of the goals are shaped by a variety of local, State, or Federal program priorities (intended outcomes). Management practices are then implemented to further the specific goals. However, some of the management practices intended to further one goal also have unintended or indirect effects on the outcomes in other areas.

Goal 1: To ensure that the planned mix of clients is actually served.

In some of the case study sites, the planned mix of clients was based on a strong local policy commitment to serve particular target groups (for example, youth at risk of dropping out of school or welfare mothers). In other SDAs, the planned mix of clients was more heavily influenced by external factors such as State priorities for serving particular groups or Federal requirements for equitable service levels to dropouts or AFDC recipients. In a third group of case study sites, the SDA had a policy of serving whoever "walks in the door" (usually in local areas where the SDA did not have to turn many people away due to a limited demand for JTPA services).

Many of the SDAs in the case study sample were concerned about ensuring that the actual client mix was similar to the planned mix so that the final performance-standard levels would be close to the planned levels. This was not the case in all SDAs. Some SDAs were performing at so high a level in relation to the standards that they were not in danger of missing any standards. Other SDAs were indifferent to whether or not they met the standards and did not use the performance standards as a front-end management tool but merely compared their end-of-year performance to the standards to see if they had met the standards.

Goal 2: To ensure that the planned mix of services is actually provided.

As described in Chapter X, the planned mix of services was influenced by a variety of factors, including PIC preferences, CETA historical patterns, service needs of the individuals in the JTPA applicant pool, and resource constraints and limits created by the cost performance standards. This was one area in which the Federal Government and the States generally took a hands-off position, leaving program design to local discretion.

Exhibit 8

Examples of Management Goals for an SDA Administering the JTPA Program

Goal 1: To ensure that the planned mix of clients is actually served.
Goal 2: To ensure that the planned mix of services is actually provided.
Goal 3: To ensure that each client is referred to services that are appropriate to his/her needs and interests.
Goal 4: To ensure that each service provider enrolls clients that are appropriate for that service and have some likelihood of having a successful outcome after receiving the service.
Goal 5: To ensure that costs are kept within reasonable limits.
Goal 6: To ensure that desired performance levels are achieved.

The extent to which the performance standards shaped the planned mix of services varied dramatically among SDAs. In general, the cost standards had the greatest effect on the desired service mix, although the average wage at placement standard also influenced the mix of occupational areas in which training was offered as well as the extent to which direct placement or job-search assistance services was offered.

Goal 3: To ensure that clients are referred to services that are appropriate to their needs and interests.

This goal, a general principle of good management for any social service program, received differing amounts of emphasis among the case study SDAs. The achievement of a good match between client needs and the range of available services depended on what practices the SDAs and service providers had devised for assessing applicant interests and skills and for enrolling clients in particular training programs. The case study SDAs ranged from highly centralized management designs, in which the responsibility for ensuring that the applicant was enrolled in an appropriate program was held by the SDA, to very decentralized management designs, in which each service provider had control over decisions about who would be enrolled in what service.

Performance standards did not directly affect SDA orientations to this goal. However, there were some indirect effects, based on whether the SDA placed a priority on meeting the needs of clients, meeting the needs of employers, or meeting the performance standards. In SDAs with a priority on meeting the needs of clients, management practices were oriented toward inclusiveness in designing the client/service match: making sure that there were services available for the needs of different clients and making sure that each applicant was able to access those services most appropriate to his/her needs and interests.

In SDAs with a priority on meeting the needs of employers, management practices were oriented toward training individuals for the demand jobs in the local economy in designing the client/service match. In these SDAs, an effort was made to provide more highly skilled workers for technologically demanding jobs and to give employers substantial choice in the selection of workers for entry-level OJT positions.

In SDAs with a priority on meeting the performance standards, the client/service match was oriented toward enrolling individuals who were most likely to "succeed" in each particular training activity.

Goal 4: To ensure that each service provider enrolls clients that are appropriate for that service and have some likelihood of having a successful outcome after receiving the service.

Although all SDAs were interested in furthering this generic management goal in some form, the actual orientation of SDA management practices designed to further this goal varied, depending on whether they had a primary client orientation, an employer orientation, or a performance-standards orientation. The actual management practices surrounding the decision to enroll clients in a particular service followed the range from highly centralized to highly decentralized described under Goal 3 above.

SDAs with a primary client orientation tended to design management practices to ensure that providers enroll clients in need of the service and able to benefit from that service. Thus, although SDAs often permitted service providers to establish skills prerequisites for particular training projects, they would usually try to encourage providers to be inclusive within the category of appropriate applicants, rather than selecting only the easiest to serve within that category.

SDAs with a primary employer orientation tended to permit OJT employers to exercise substantial discretion in selecting among OJT applicants and to be somewhat more selective in screening appropriate applicants, in order to increase the likelihood of placing trainees with employers at the conclusion of training.

Finally, SDAs with a primary performance-standards orientation tended to assist their service providers in screening out the high-risk applicants or assigning the highest risk applicants to the cheapest services.

Goal 5: To ensure that costs are kept within reasonable limits.

As described in earlier chapters, SDA cost concerns were derived from several sources, only one of which flowed directly from the performance standards. A more stringent cost concern for most of the case study SDAs was how to make a shrinking JTPA Title II-A allocation cover services to as many people as possible. This concern was dominant for a majority of the site visit locations where the unemployment rate had fallen since the start of JTPA programs in PY 84 and was causing a number of SDAs to reduce the average cost per terminee.

The cost performance standards were a real, although in most cases secondary, concern. In some SDAs, the actual cost of providing JTPA services did not approach the cost limits created by the performance standards, either because additional resource streams were used to supplement Title II-A funds in providing services or because the local service delivery mechanisms (for example, community colleges for the delivery of classroom training) were extremely cost effective. In other SDAs, the cost of providing JTPA services was higher (for example, in rural SDAs where it is difficult to achieve economies of scale) and it was harder to design programs that met the cost standards. A number of SDAs were trying to adjust their programs to meet the needs of applicant pools with greater basic skills deficiencies, and these SDAs also found it more difficult to design more intensive programs within the limits of the cost standards. Finally, in some States, the SDAs were highly motivated to "overachieve" on the cost standards, because this resulted in the largest possible incentive award. Thus, a number of SDAs in the case study sample were paying far less for JTPA services than the cost standards themselves would allow and performed at levels ranging from 30 to 60% of the cost-per-entered-employment standard.

Goal 6: To ensure that desired performance levels are achieved.

The extent to which SDAs were interested in meeting or exceeding their performance standards depended on whether the performance standards were seen as consistent or in tension with other local goals and on how important it was to the SDA either to maximize its 6% incentive awards or to "look good" on the standards in comparison to other SDAs in the State. In addition, some SDAs found it relatively easy to meet the standards without altering their desired program design and client goals, while other SDAs found it difficult and had to carefully tailor their program or modify their client targeting goals to meet the standards. Most SDAs fell somewhere between these two extremes and used a variety of management practices to ensure that they could meet the standards while pursuing the particular program mix and client goals that they preferred.

Development of Strategies to Achieve Performance Goals

Appendix D describes the strategies that each of the 30 case study SDAs had developed in response to their individual performance goals, including modifications to client target groups, service designs, and management practices.

As described in the previous chapters, most SDAs did not alter their client goals or desired program mix in response to the performance standards. For these SDAs, the effect of the standards was largely limited to program management practices to ensure that the reported outcomes would conform to the levels required by the standards. The strategies associated with increasing or safeguarding performance on specific standards are described below.

SDAs used a variety of program management tools to increase the likelihood that they would meet the entered-employment-rate standards. The following practices were implemented by one or more SDAs:

- Selecting service providers with a proven track record and retaining only those contractors that performed up to expectations;
- Using performance-based contracts to hold back part or all of the service provider's payment until the desired placement outcome had been reached;
- Holding the service providers responsible for placement according to clearly stated goals in cost-reimbursement contracts and monitoring contractors frequently on their progress in meeting contract goals;
- Retaining ultimate responsibility for placement at the SDA level, to ensure that the required placements were being made;
- Introducing long assessment phases between the time of application and enrollment to ensure that those who were enrolled were really motivated to participate; and
- Not enrolling direct-placement clients until they had obtained employment.

A somewhat different set of management responses were used by SDAs that were worried about meeting or exceeding the average wage-at-placement standard. Strategies to further achievement on this standard included

- Setting a specified minimum wage for placements using OJT, customized training, or classroom training;
- Setting specific wage goals for direct placements;
- Reviewing the planned training mix to ensure that the wage standard would be met;
- Avoiding occupational training areas that would lead to low-wage jobs (several SDAs avoided child care and food service occupations; one deleted auto mechanics training after cars became so electronically sophisticated that their trainees could not get jobs except at service stations);
- Making a special effort to recruit new employers into an OJT program that would offer higher paying jobs;
- Offering service providers a bonus for achieving a placement above a given specified wage level; and
- Taking greater care in designing OJT contracts.

Management practices oriented toward ensuring that the cost standards were met included the following:

- Including unit costs that would ensure meeting the standard into the performance-based contracts of service providers;
- Requiring contractors to repay intermediate payments to the SDA if cost-per-entered-employment goals were not met;
- Seeking other sources of funding to supplement Title II-A funds, both as a way of easing the pressure on administrative costs and enabling them to dual-enroll clients; and
- Selecting service providers with alternative funding, reducing the JTPA costs of the services.

These examples illustrate that SDAs have adopted some management practices in response to specific performance-standards concerns. The case studies also examined in detail the reasons that SDAs chose enrollment practices and service-provider arrangements. The next section describes an analysis of the relative role of performance standards and other factors in how SDAs managed their programs.

Practices Concerning Assessment, Assignment to Services, and Enrollment

Assessment and Assignment to Services

SDA program designs and management practices relating to client assessment, assignment to services, and enrollment can be oriented toward the fulfillment of several different management goals, including ensuring that the planned client mix is achieved, ensuring that clients receive appropriate services, and ensuring that performance objectives are achieved. If management practices in this area are disproportionately oriented toward performance objectives, they can result in "risk avoidance" strategies that skew the JTPA client population toward easier-to-serve clients. However, if management practices in this area are based on a "risk management" strategy that attempts to balance performance concerns with other client and service goals, they can ensure the achievement of performance goals without sacrificing service to hard-to-serve clients and local service preferences.

The outreach function was generally a function jointly exercised by SDAs and individual service providers. Even when one or the other was given primary or official responsibility for recruitment, the dearth of applicants for JTPA programs in many of the case study SDAs sent both levels of program actors scrambling for as many recruits as possible.

Of the 28 case study SDAs for which sufficient information on recruitment/assessment/referral practices was available, 20 (71%) had centralized the responsibility for assessment and referral of applicants to a single source, while 8 SDAs (29%) permitted each service provider to recruit, screen, and enroll clients for its own project. In 16 of the 20 SDAs with the centralized assessment/referral functions, the SDA was directly responsible for this function. In one of the remaining four SDAs, the responsibility was passed down to a number of the local jurisdictions making up the local consortium. Finally, in three cases, the centralized function was administered by a service provider: in one case the same provider that delivered all the services for the SDA, in one case a specialized intake contractor, and in one case the local offices of the State employment service, which also provided some, but not all, of the training services to JTPA enrollees. Even when recruitment and screening were centralized at the SDA level, often projects serving special-needs groups (for example, the handicapped) were permitted to do their own recruitment and screening.

Although the two primary service designs—centralized versus decentralized assessment—created different issues for SDA management and control, they did not, by themselves, affect the types of clients selected. Our initial hypothesis was that centralizing assessment and referral decisions would give SDAs the ability to ensure that hard-to-serve clients were selected for enrollment, while decentralizing screening and enrollment decisions might have permitted service providers to select easier-to-serve clients.

The case studies suggested, however, that most of the SDAs that had delegated the authority for client screening and enrollment to service providers trusted the providers to do "sensible screening," based on their commitment to serve hard-to-serve clients. Even more interesting was the fact that the SDAs themselves had varied motives for retaining centralized control over the assessment/referral process.

Six SDAs appeared to exercise their centralized assessment/referral function without a clear agenda either to include or to exclude hard-to-serve clients. These SDAs followed previously agreed-upon criteria for the prerequisites necessary for referral to specific training programs and generally did not exercise discretion in making referrals beyond these stated criteria.

Another eight of the SDAs with centralized assessment/referral practices used these practices to ensure that service providers included hard-to-serve individuals in their programs. At least four of these SDAs required their service providers to accept all referred clients or at least to provide written justification for any clients that the provider did not accept. Another of these SDAs said that they specifically used their role in recruitment and assessment to try to reach individuals with "marginal self-esteem and low motivation."

An additional two SDAs in this category used their role in designing employability development plans (EDPs) to plan for a sequence of services to individuals requiring basic skills remediation in addition to occupational skills training. Several of these SDAs placed a great emphasis on extended assessment and evaluation as the key to achieving a good mix between applicant needs and the available services (although they also recognized the value of extended pre-enrollment services as a mechanism to decrease the number of dropouts after enrollment). Centralized assessment/referral mechanisms permitted these SDAs to design and monitor delivery of a sequenced package of services, especially when the appropriate services were offered by more than one service provider.

Finally, six SDAs with centralized assessment/referral mechanisms used these mechanisms to further performance objectives by assisting in the recruitment, identification, and enrollment of applicants who would be likely to succeed in JTPA programs. These SDAs tended to be similar to others in the case study sample in steering those clients with the greatest formal education toward classroom training. However, a number of these SDAs had no real service alternative to offer less employable applicants, who were discouraged from enrolling in JTPA services. Several of these SDAs described their role as sharing with their service providers the responsibility for screening out the high-risk applicants and referring the most likely to succeed back to the providers. Among these providers, subjective assessments of motivation were used to determine appropriateness for services, as well as the more objective results of screening tests. In these SDAs, screening tests were more often used to exclude individuals from a particular service than to indicate that they were appropriate for targeting with a more intensive intervention.

A second factor that seems to have influenced some of the SDAs that chose to centralize their assessment/referral practices—but does not appear to be related to the interest or lack of interest in ensuring program access for hard-to-serve clients—is the fact that they want to be able to select the most job-ready clients into a direct job-search component, operated in most cases by the SDA. As previously discussed, many of these SDAs also have a commitment to serving hard-to-serve clients with more intensive services.

The findings about enrollment practices in the case study SDAs confirm many of the quantitative findings. Specifically, use of subjective judgments about whether individuals would complete the program were found to decrease significantly the enrollment of hard-to-serve groups. In the case studies, we find that SDAs trying to screen out high-risk clients relied on subjective judgments. In addition, the fact that some SDAs used their control of the assessment process to select clients likely to succeed in JTPA programs helps explain why the quantitative analysis found that the proportion of services provided by the SDA resulted in decreased service to adults on welfare. The quantitative analysis also found that SDAs that used basic skills and educational criteria served more hard-to-serve groups. Case study SDAs with strong commitments to the hard-to-serve groups often used extensive testing to match clients to appropriate training.

Timing of Enrollment

Another dimension of SDA management practices that was influenced by the existence of the performance standards was the decision about when to enroll JTPA participants. Case study SDAs used two types of practices to reduce the risk of serving hard-to-serve clients. The first was the delivery of extended pre-enrollment services, used by at least three of the case study sites. If the pre-enrollment services are paid for from some funding source other than Title II-A funds, there is no regulatory difficulty with this practice. A number of SDAs used other funding sources to pay for extended basic skills remediation prior to enrollment in Title II-A-funded occupational skills training. However, at least one of the case study SDAs used Title II-A funds to deliver "assessment" services that lasted 4 weeks and included basic skills remediation in addition to testing client interests and aptitudes. Another SDA referred approximately 50% of its applicants to a 3-day pre-enrollment assessment service operated by a separate contractor.

Pre-enrollment services were attractive to the case study SDAs for two different reasons. First, if paid for from other funding sources, they permitted more intensive service interventions to fit within the cost constraints created by the cost standards. Second, extended pre-enrollment services made it more likely that those who "survived" the pre-enrollment period would be motivated enough to stick with the program until the completion of training.

A second practice related to JTPA enrollment practices was the agreement to define enrollment as occurring at some point in time slightly after training actually started. Delayed definitions of enrollment were mentioned in the case study writeups for 10 of the 30 case study SDAs (33%) and the practice may have been even more widespread. The time period before official enrollment has been defined, by convention, as an "orientation" period. For most SDAs utilizing this convention, the duration of the orientation period has been defined as 3 to 5 days. The most extreme case was an SDA that defined enrollment in classroom training as occurring after the 10th class meeting. This practice allowed service providers to "backfill" (that is, enroll another client as though the one who dropped out never existed) and collect the maximum amount of their contracts even though there were early dropouts.

Slightly different issues arose in the definition of enrollment in OJT and direct placement services. It appears to be nearly universal to enroll clients in OJT at the time the OJT contract begins, rather than at the time the project first begins to work with a client to locate an OJT position. Thus, for OJT, individuals who do not obtain a training position are usually never enrolled in the program. This makes OJT a particularly attractive option in many SDAs because it is seen as a "less risky" service than others. Two exceptions to this practice with respect to OJT enrollments were observed in the case study SDAs. In both instances, individuals were enrolled at the time of referral to the OJT component rather than at the time the training position started.

For enrollment in direct placement components, it is not clear what prevailing SDA practice is. One SDA told us that they do not enroll individuals receiving direct placement services in JTPA programs until or unless they obtain jobs. Other SDAs that operate formal job clubs or group job-search instruction enroll participants before placement but probably not on the first day of job-search training.

This practice of delayed enrollment is effective in increasing SDAs' measured performance. As part of the quantitative survey, directors were asked the average length of time individuals typically received pre-enrollment services before they were formally enrolled. SDAs with longer pre-enrollment periods had significantly higher adult and welfare entered-employment rates.

Placement: Responsibility and Definition

Another management practice that varies across SDAs is who has responsibility for placing JTPA participants into jobs at the conclusion of training. Four types of practices were observed. First, a number of SDAs pass along full responsibility for placing trainees to the service providers and often ensure that providers will be motivated to perform by carefully structuring payment points in performance-based contracts. Of the 30 case study SDAs, 10 (33%) fell into this category.

Second, a number of SDAs heavily involve service providers in the placement process (many of these SDAs have performance-based contracts with their providers) but are also prepared to assist with placements if they have not occurred toward the end of the 90-day holding period. Of the 30 case study SDAs, 12 (40%) fell into this category.

Third, several SDAs utilize one service provider as a "primary" or "umbrella" coordinator of services to all clients and involve this service provider in the placement process for all classroom training participants, either as the primary job developer or as a backup to the skills training provider. Five SDAs in the case study sample (17%) fell into this category.

Finally, three SDAs (10%) took primary responsibility for placing all JTPA participants through the operation of a centralized job placement unit. (One of these SDAs also operated all training services directly.)

These variations in placement practices are not associated with variations in the extent to which hard-to-serve clients are reached by the JTPA program. Instead, they are associated with the extent to which individual service providers are interested in and/or capable of taking on the primary placement function. Public educational institutions are sometimes less willing or less interested in being heavily involved in the placement process, although in several SDAs these institutions are successfully operating under performance-based contracts and are taking sole responsibility for placing trainees at the conclusion of training.

One of the case study SDAs that centralized the placement function at the SDA level said that it needed to retain control over placements to make sure it would be able to meet the performance standards. An added reason was that the SDA did not want local employers to be flooded with job development contacts from a number of its service providers. However, the service providers in this SDA felt "left out" of the placement process and would have liked to have been more involved.

In defining "placement" in contracts with service providers, SDAs often required that placements last a certain period of time (for example, from 10 to 30 days), be in a training-related field, and pay a specified wage rate. Placements not meeting these criteria were either not eligible for payment under performance-based contracts or paid less than the full fixed price.

As a result, SDAs had a certain leeway in reporting placements on the JASR. Some SDAs took advantage of this leeway by reporting additional placements for which they did not compensate their service providers. Also, it is not clear that all SDAs reported placements on the JASR the same way. Some SDAs reported all placements that were permitted by the JASR definition (that is, any unsubsidized placement). Other SDAs had policies of "not making" certain types of placements (for example, placements in "walk-in" jobs, such as fast food restaurants, or placements in temporary jobs). In cases in which clients obtained these types of jobs, SDAs may have reported the outcome as a nonpositive termination rather than reporting a low-wage job.

Because this is one area in which SDAs could exercise substantial control over their overall performance (especially influencing the tradeoff between the entered employment rate and the average wage at placement), some SDA discretion was probably used in how they reported outcomes for specific individuals, particularly as the end of the year approached.

Contracting Practices

In our survey of all SDAs, directors were asked about the influence of performance standards on the selection of service providers. Over 70% of the directors rated performance standards as either "quite" or "extremely" influential concerning the selection of service providers, 59% responded that they were "quite" or "extremely" influential on the types of contracts used, and 64.3% found them "quite" or "extremely" influential over specific contract terms. (In all three cases, the most frequent response was "quite.")

The case studies shed light on the interpretation of these results. Among the case study SDAs, with few exceptions, the performance standards did not have great impact on the initial selection of service providers because most of these SDAs have been retrenching their programs in response to continuing funding declines and thus have little opportunity to consider taking on new providers. The standards' influence on provider retention is more evident, and this in fact appears to be what SDA respondents are referring to when they speak of provider selection.

Within the case study SDAs, the greatest impact that the performance standards exerted on contracting practices was on the specific terms of individual contracts, both performance-based and cost-reimbursement, as well as on the increased prevalence of performance-based contracts. But it is also important to note that these impacts on selection, retention, and terms are generally tempered by the influences of other factors, such as the nature of the local economy, the size of the SDA's JTPA allocation, whether this funding is expanding or contracting, and the 15% limitation on administrative expenditures.

Selection and Retention of Contractors

Key Contextual Factors. Two factors were of central importance in shaping the ways in which the JTPA performance standards influenced the SDAs' decisions about service-provider selection and retention. One was the SDAs' tendency to treat contractors as belonging either to an essential "core" of service providers or to a more peripheral, more marginal, and thus more dispensable set of providers. The other was that most of these SDAs had been facing declines in their JTPA allocations over the past several years.

Most of the case study SDAs had an extremely stable core of providers with a long working relationship with the SDA and often with the CETA prime sponsor before it. The core typically included one or more public educational institutions and one or more CBOs or nonprofit organizations, which together both accounted for the mainstream of the SDA's services and clients and usually provided youth services as well, enabling the

SDA to meet its youth expenditure requirement. If the SDA's allocation was large enough, there would also be one or more providers outside the core. These were often smaller providers, which might provide training in a more specialized occupation or serve a more specialized client group (such as the developmentally disabled), and they were likely to have less of a history with the SDA.

This configuration typified virtually all the case study SDAs that had small allocations or served rural areas and that also did not conduct all activities themselves. Even the few SDAs that confined their contracting to individual referrals typically relied on a small core of contractors, although in these SDAs the core often included proprietary trainers as well as CBOs and public educational institutions.

Besides history, core providers often shared an overall orientation and a close working relationship with the SDA. Usually the PIC and SDA were reasonably pleased, even enthusiastic, about the core providers' past performance; they had often had years to work out any problems. Core providers were hard to give up—precisely because they delivered "core" services—and hard to replace, although the SDA often had to "shave" their contracts as JTPA funding declined.*

The qualitative finding that core providers and the SDA usually shared common program objectives helps explain the quantitative finding that the type of provider had little impact on the types of clients enrolled in JTPA programs.

At least 22 of the case study SDAs (73%) were experiencing declines in JTPA allocation. In this environment, there was usually little practical opportunity to select completely new providers, except at the margin or in a situation of major program restructuring.** Instead, the typical decision facing the SDA was how to distribute funding cuts among providers, and in this situation the core/periphery distinction was critical. As mentioned previously, more marginal providers were usually much more vulnerable to having their contracts discontinued or sustaining major cuts, and the competition for survival was usually fiercest among them. Here, past performance could be a telling factor.

Impact of the Performance Standards on Choices among Providers. Generally, those SDAs that were oriented toward exceeding their performance standards tended to be more demanding about bidders' ability to demonstrate previous success with the SDA's clientele. This tendency worked to the advantage of core providers, local providers (because there was less uncertainty over the adaptability of their program to the local setting), and providers with established programs. It penalized new organizations, providers from outside the SDA, and innovative or experimental approaches. Consequently, it had an overall conservative influence on the selection of service providers.

With respect to specific standards, SDAs that were particularly concerned about their overall performance on any of the entered-employment-rate standards naturally favored service providers with strong placement records. If average wage was a concern, the SDA might drop a contract (or proportion of a contract) for training in a particular occupation with an especially low wage rate. SDAs for which cost-per-entered-employment standard posed a problem tended to pressure providers to lower their unit costs or to give priority to providers who could leverage outside funding.*

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*Our site visits turned up one notable exception to this general pattern: an SDA reallocated a youth program from the public school system—a core provider—to a local nonprofit organization because of displeasure with the quality and performance of the former provider.

**Five SDAs had experienced a significant reorganization since 1986. One had no contractors, two were too small to have more than a handful, and in two, the restructuring appears to have been prompted by factors unrelated to performance.

Overall the performance standards played a significant part in determining which service providers were retained as an SDA's allocation declined, especially among the more peripheral providers. They also helped determine how cuts were shared among remaining providers, including those within the core. As a result, even in the absence of formal competitive bidding, many core providers as well as marginal providers perceived that there was strong competition for the SDA's available dollars from year to year and were attentive to their performance even when they had cost-reimbursement contracts.**

Two-thirds of the case study SDAs said that underperformance had been a major factor when they had reduced contracts over the past few years, and five cited one or more contractors whom they had dropped for poor performance. The most common problems were disappointing placement rates and excessive costs. Among the survivors, public schools and community colleges predominated, followed by CBOs and other nonprofit organizations and public agencies. Our case study sample of 87 providers serving the 30 SDAs replicated this general pattern: 23 (26%) were public educational institutions, 20 (23%) were CBOs, 3 (3%) were nonprofit educational institutions and 12 (14%) were other nonprofit organizations, 9 (10%) were the SDAs themselves, 12 (14%) were other public agencies, 4 (5%) were proprietary schools, and 4 (5%) were other types of for-profit organizations.

Other Factors Influencing Provider Selection and Retention. A number of additional factors influenced provider selection and retention, often more strongly than the performance standards per se. Primary among them were the nature of the supply of providers available to the SDA, the characteristics of the local economy, the amount and categories of services that the SDA contracted out, the goals and philosophy of the PIC/SDA, the demographic service requirements imposed on the SDA, and the type of provider.

Half of the case study sites were rural SDAs with limited local supply of alternative providers. Rural SDAs were also generally least willing to go outside their area for providers. Often, especially in the most far-flung and sparsely populated areas, a rural SDA already faced considerable difficulty in connecting potential clients with existing providers, due to long distances and inadequate transportation systems. An SDA in these circumstances had few alternative providers to turn to if it discontinued a contract for poor performance, so it had a greater incentive to try to work with the provider to cure performance problems.

Some SDAs ruled out certain types of training providers or made only individual referrals to them because the occupations for which they offered training were not in sufficient demand within the local economy. Other providers were omitted because they trained for low-paying occupations, such as child care worker. In both cases, performance standards probably played a role in the decision: the entered-employment rate in the first instance, the average wage standard in the second. But equally important seemed to be overall PIC or SDA judgments about the types of jobs that were "right" for local clients.

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*This capacity to match JTPA funding tends to counter the "periphery" disadvantage in the case of programs that can augment a JTPA contract with vocational rehabilitation funds. A combination of this additional funding plus PIC or SDA philosophy may have produced a substantial number of contracts serving the developmentally disabled or other handicapped groups among the case study SDAs.

**Even excellent performance might not be enough to guarantee a provider's survival if the funding cuts were severe enough. One SDA was planning to discontinue one of its more peripheral contracts even though the project had exceeded all requirements and established a record of cost- effectiveness. The problem was that, although cost-effective and successful, this program entailed high costs that the SDA felt it could no longer afford once its allocation sustained another significant reduction.

SDA client goals and service mix decisions also had a strong input on the choice of provider. For example, some PICs placed a strong emphasis on dropout prevention or on providing remedial services; this tended to favor the schools and "alternative" programs that targeted dropout-prone youth or clients in need of basic skills remediation. The fairly frequent targeting of a certain portion of the SDA's budget for the developmentally disabled, the mentally ill, or other "special" client groups generally favored those providers who specialized in serving such groups. Some SDAs showed clear preferences for different types of providers. For example, prevailing attitudes for or against proprietary providers influenced the distribution of funding between proprietary and all other providers, while an emphasis on taking full advantage of the resources available through the public schools benefited these institutions.

One additional factor that could affect choices among service providers was local politics. In most of the case study SDAs, this was not a significant factor. However, in four of the largest SDAs, respondents did offer comments on the relationship between politics and the performance standards as influences on provider selection. In two of them, the observers judged that incorporation of the performance standards had significantly reduced the influence of politics on decisions about whether to retain providers and about their funding levels. In another, staff believed that such decisions were often still subject to political considerations and lobbying but were hopeful that the standards were gradually making the decisionmaking more strictly "objective." In the fourth of these SDAs, observers characterized the selection process as heavily politicized. However, they also said that political influence concentrated on decisions of whether to retain or drop providers. When the decision concerned the depth of a provider's funding cutback, on the other hand, the performance standards were the dominant factor.

Process Through Which Contractors Are Chosen. Among the case study SDAs, 22 (73%) conducted a formal Request for Proposals (RFP) process in selecting providers for at least a portion of their service program. Nineteen of these SDAs issue open, nonspecific RFPs and depend on individual service providers to propose training programs to the SDA for funding. At least six SDAs in the study sample indicated that they depended on the specific proposals made by service providers to shape their program design, which can lead to innovation (for example, a provider introduced the concept of open-entry, open-exit training to one SDA), but can also lead to a large, haphazard program (one SDA had 85 contracts, mostly small ones with CBOs, which were difficult to monitor). Providers were particularly influential in proposing the design for special projects serving particular target groups, such as the handicapped, or offenders, or in-school youth. However, an open approach can also result in some groups being unserved if no service providers plan to include them in their programs.

Of the remaining eight SDAs (27%), one had no outside service providers, two did almost everything themselves and relied on individual referrals for any externally provided training, and five said that they "no longer" employed RFPs, at least as long as existing providers' performance remained satisfactory. Instead, they either renegotiated contract terms with current contractors before a new funding cycle began or mapped out the services that they wanted contractors to deliver and then asked a few good providers to bid on their design.

In at least 9 of the 22 SDAs with RFPs, respondents characterized the RFP as only "technically" open or as applying only to more marginal providers; and in virtually all of the 27 SDAs doing significant amounts of contracting, there was considerable stability in the "cast" of contractors (especially at the core). However, even in the SDAs without a RFP process or in which it was only a formality, there was genuine competition. The negotiations stage was when the real changes were made and was frequently the scene of very hard bargaining over costs and performance goals.

Contract Terms

Types of Contracts Used. Among the 29 case study SDAs that did any contracting, 20 (69%) had at least some current performance-based contracts, and several planned to expand their use. Of the nine SDAs (31%) without performance-based contracts, two had retreated from earlier failures with such contracts, and one was an SDA that was likely to begin some performance-based contracting. In addition, two SDAs had some hybrid contracts, cost reimbursable but on a capitated basis. Public educational institutions and other public agencies were most likely to remain on cost-reimbursement contracts, although for-profit providers were especially likely to be on performance-based terms.

Although performance standards and performance-based contracts are often mentioned in tandem, the standards are not the only factor in the spread of the performance-based format. Among the case study SDAs, the 15% administrative limit, especially in the context of declining Title II-A allocations, was at least as important as an SDA's desire to gain tighter control over providers' performance. One of the case study SDAs was considering converting at least some of its contracts to a performance basis precisely because its allocation was falling to a level in which it doubted whether it could stay within the 15% limit otherwise. The continuity of CETA staff did not seem to inhibit the adoption of performance-based contracts, and at least one SDA that had been a prime sponsor reported using them under CETA.

Typical Contract Terms. In performance-based contracts, typical contract terms that reflect the influence of an SDA's performance standards include

- Minimum or maximum numbers of enrollees,
- Detailed screening criteria or a minimum proportion of client referrals that the provider is obliged to accept,
- Minimum percentages for specific demographic groups (most typically, youth),
- Degree of specificity about the provider's curriculum,
- Specification of the average, maximum, or (more occasionally) minimum duration of service,
- Goal for the number or rate of placements and the specific definition of their required characteristics,
- Percentage of payments to be withheld until placement (or placement above a specified wage or meeting other criteria of suitability) or the amount of bonuses available for extra or high-wage placements,
- Nature and distribution of interim payment points, if any, and
- Total amount authorized under the contract and the unit cost.

Cost-reimbursement contracts are similar in many respects. However, in general, provisions concerning the levels and characteristics of enrollments and placements (or training completers, since cost-reimbursement contractors are less likely to have formal placement responsibility) are framed as goals rather than requirements. In the few examples in which the contract language appeared to express requirements, the contract actually provided no means to enforce them. In addition, cost-reimbursement contracts did not specify unit cost (except in the two sets of "hybrid" capitated training contracts mentioned above) and did not provide for placement holdbacks.

Influence of Performance Standards on Contract Terms. In the case study SDAs, the great majority of contracts built the SDA's standards into the contract terms of its providers, as either requirements or goals for performance-based and cost-reimbursement contracts alike.

In approximately half of the SDAs, contracts built in uniform requirements of either the SDA's standards or the "standards-plus-a-cushion" that protected the SDA in the event of disappointing performance by a contractor. The other half employed a more complicated "jigsaw" approach of letting key contract terms vary among their providers but taking care that, aggregating across the contracts, they met or exceeded the SDA's own standards. Only one SDA had established a mechanism to vary terms according to client characteristics using the DOL adjustment methodology.

Concerning enrollment levels, most of the case study SDAs that had class-size service contracts at least established enrollment goals; eight specified minimum numbers (all of them had trouble recruiting clients), while two imposed maximum levels. There was no clear pattern in requirements covering client characteristics; many specified only Title II-A eligibility, although a number specified youth participation levels. Similarly, SDAs and individual contracts varied in the specificity of their description of curriculum and other services. The great majority specified duration, usually as an average and a maximum; one, reflecting a strong commitment to quality, also specified the minimum time in training.

In placement-oriented contracts, the typical requirement or goal for the percentage of clients to be placed ranged between 60 and 80%, although a few contracts covering handicapped clients allowed somewhat lower placement rates. Eight SDAs had contracts specifying placement holdbacks exceeding 50% (several of them allowed no interim payments), 10 held back from 20 to 50%, and 5 held back 20% or less. (Because about half of the SDAs mixed types of contracts, including cost reimbursement and performance based, these figures overlap.) In a contrasting approach, one SDA awarded a $100 bonus for every placement. Among the SDAs using performance-based contracts with low to moderate placement holdbacks, the contract typically provided from 3 to 5 interim payment points; in SDAs facing recruitment difficulties, the first payment point might be enrollment with the contractor.

The high-placement-holdback contracts illustrate one extreme of a spectrum of SDA approaches to managing and allocating the risk entailed in trying to meet or exceed their performance standards. In establishing a high placement holdback, the SDA in effect assigned a maximum share of the risk to the provider. Other SDAs adopted a "risk-sharing" strategy by using less extreme placement holdbacks and providing more generous interim payments in deference to their providers' cash flow needs. These SDAs were heavy users of the noncontractual control mechanisms discussed in the following section.

Virtually all the case study SDAs defined placements as full time (or somewhere above 30 hours a week) and unsubsidized; at least 20 specified a target or required wage, 12 required a training-related placement, and at least 9 specified job retention (varying between 2 weeks and 1 month). Only a handful paid overt bonuses for high-paying or other "quality" placements. However, in several of the SDAs, 5 or 10% "holdbacks" for such characteristics amounted, in effect, to bonuses. Three of the SDAs incorporated "wage steps" in their OJT contracts to bring clients to or above the SDA's wage standard by the time that the employer's subsidy ended.

Influence of Other Factors on Contract Terms. The relationship between contract terms and the SDA's performance standards was affected by several factors. Half of the case study SDAs were having difficulty recruiting clients for their programs (particularly youth), and half of these also faced a limited provider supply. In areas where clients were in short supply, because of a healthy or improving local economy, those available were generally seen as harder to serve and less marketable than the average client several years earlier. In these areas, placement goals were often set at more modest levels, and contract terms were less exacting than in the five SDAs where providers could pick and choose among applicants.*

However, if the SDA also faced a drastic reduction in its Title II-A allocation, as it often did when the economy was improving, a desire to spread available resources as far as possible—even more than the cost standards—led to constant and strong pressure on providers to reduce costs. In addition, in those SDAs that attempted to earn all available 6% funds, the SDA tended to push not only for lower costs but also for higher placement and wage rates.

There were two primary forces countering this pattern: the availability of non-JTPA resources (either administered by the SDA or accessible through a service provider) and a "client oriented" PIC or SDA in favor of serving a variety of clients. SDAs that gave preference to CBOs as providers to assure that various hard-to-serve groups were served were likely to offer them relatively generous interim payment points, if they subjected these providers to performance-based contracting at all.

In a number of the SDAs, programs serving physically, mentally, or developmentally handicapped clients appeared to enjoy special protection (considering their typically lower placement and wage rates and higher costs), although they were not all spared significant funding cuts. Although some case study respondents mentioned the PIC's sense of "what is right" or the local program's community orientation, the fact that these programs generally incorporated vocational rehabilitation funds also favored them, especially through reducing their apparent cost (in JTPA dollars). Similarly, State or local dollars targeted to welfare recipients, youth, substance abusers, or others also enhanced the prospects that programs serving these groups would receive SDA funding.

Limitations on Contract Terms as Means for Promoting Performance. SDA contract terms should not be understood as simple outgrowths or reflections of the JTPA performance standards. Clearly, enrollment and placement goals, demographic quotas, screening criteria, cost limits, and other features of service-provider contracts predate JTPA programs, as does the use of performance-based contracts in several of the case study SDAs. Moreover, even where the form of performance-based contracts is a recent development, their key terms do not always represent a major change. Where they are now in use for long-time providers, they often essentially continue the mutual expectations and the level of performance that characterized prior years.

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*These were also the SDAs most likely to specify minimum enrollments in contracts, whereas those specifying maximum enrollment levels typically faced an oversupply of eligible applicants.

Performance-based contracts did not guarantee performance success—one SDA that relied on them exclusively missed several of its standards—and their absence did not necessarily spell trouble with the performance standards. The reason is that SDAs have a number of other potentially effective mechanisms at their disposal for controlling and motivating provider performance.

Noncontractual Control Mechanisms

Besides specifying and enforcing contract terms, SDAs can influence provider performance through the following means:

- Organization of intake, assessment, and referral of clients, as discussed previously;
- Degree of latitude providers are allowed to refuse applicants or referrals, including specific criteria governing acceptance or justifying refusal;
- Adoption of a case management approach aimed at not letting accepted clients "fall through the cracks" and ensuring that they receive the most suitable services and make satisfactory progress;
- Use of computerized spreadsheets to update actual performance both for the SDA as a whole and for individual providers;
- Careful, frequent monitoring of provider activities, both formal and informal;
- Close communications and frequent feedback between SDA staff and providers;
- Opportunity for fine-tuning as the program year advances;
- Technical assistance to providers as needed; and
- Long experience with each other, a highly evolved service design, and a combination of trust and a close working relationship.

Another powerful means is the funding carrot: providers want to get a contract "the next time around."

The most commonly used means of controlling service providers was monitoring performance through MIS data, used by at least 21 SDAs. The frequency of the monitoring reports varied from quarterly to daily; most SDAs produced monthly updates, and several gave these heightened attention during the latter half of the program year. At least 16 of the SDAs employed frequent monitoring visits and contacts, both formal and informal—in some, SDA staff visited programs on virtually a daily basis—and fostered close communications between providers and staff. At least 10 provided for fine-tuning among programs and midcourse corrections within programs.

At least 12 SDAs had long histories with most of their providers, had worked out successful and adaptable service designs, shared goals and orientations, and had a collaborative working relationship. Generally, these were successful performers, at least on their own terms; a few in depressed rural areas were content to let average wage slip, and one consciously put more emphasis on intensive services rather than on achieving its cost standard.

Not surprisingly, all the case study providers paid attention to "next time," their future funding prospects, although some were more anxious about it than others. A few said that they were getting squeezed so tightly that they were looking for ways to decrease their dependency on JTPA funding, and there were occasional reports of providers that had dropped out of the local competition; but most still wanted to stay in the game.*

One SDA with performance problems and with only a limited set of providers had recently engaged in a concentrated campaign to recruit additional providers, doubling its contractor pool. Although the SDA's objective was to gain more freedom to retain high-risk programs while improving its record on the performance standards, there was also the possibility that it might replace some current contractors if they continued to have trouble. Within the case study sample, however, this was an unusual approach; more SDAs were likely to confront the unpleasant prospect of being compelled to drop or severely prune a valued service program.

How Contract Terms and Related Practices Affect Service-Provider Behavior

Most service-provider respondents did not have a complete understanding of the performance-standards system as it applied to the SDA as a whole. Service providers, however, were very aware of the performance expectations placed upon their project by the payment terms of their contracts as well as by additional performance goals and objectives communicated to them by the SDA. In certain circumstances, as when a particular service provider was represented on the PIC, service-provider staff were also aware of how their particular performance expectations fit into the larger framework of SDA level performance standards, but this was the exception rather than the rule.

As was the case for SDAs, service providers varied in the extent to which they oriented their program-design decisions toward meeting their performance expectations versus meeting other organizational goals (for example, client priorities and service goals). In most cases, there was enough room to maneuver so that service providers did not have to dramatically redesign their training program or client selection procedures to meet their contract obligations. Contrary to our expectations, we did not find that SDAs usually played the role of "protecting the level of service to hard-to-serve clients" or that service providers usually tried to "get away" with serving easier clients or providing less expensive services. Rather, the qualitative analysis found that most service providers—whether they were nonprofit community-based organizations, public educational institutions, or for-profit enterprises—did have a commitment to serving participants who needed and would be able to benefit from JTPA services.

The qualitative analysis did not find any evidence that performance-based contracts, per se, constrained service-provider choices or promoted "risk avoidance" behavior any more than cost-reimbursement contracts. However, contract terms that took into account the particular types of service being provided and the types of clients being served by each provider generally made it easier for service providers to implement their desired training strategy than contract terms that were standardized across all service providers in an SDA. These results are very consistent with the quantitative findings that use of performance-based contracts did not affect the types of clients served but that varying the terms of contracts did increase service to some hard-to-serve groups.

At the extreme, pressure to perform at high levels (under either performance-based contracts or cost-reimbursement contracts) did cause greater caution in client selection and in service design among service providers. Particularly influential were pressures to achieve: high wage rates, particularly contract terms that specified minimum wage rates required for payment, as opposed to average wage performance expectations; high placement rates (for example, 80% or higher); or high portions of payment reserved for achievement of placement outcomes, in which the service provider would risk its ability to earn its full contract amount if it failed to achieve placement outcomes for all or nearly all its clients. Faced with the choice of actually losing money if they failed to choose clients carefully, most service providers chose carefully.

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*Of course, it is important to note that study respondents were current contractors, and the story might have been different had we talked to contractors that had decided not to reapply for JTPA funds.

Conclusions

SDA management practices are designed to further a variety of management goals, including ensuring (1) that the planned mix of clients is actually served, (2) that the planned mix of services is actually provided, (3) that each client is referred to appropriate services, (4) that service providers enroll clients that are appropriate for that service and have a reasonable likelihood of success, (5) that costs are kept within reasonable limits, and (6) that the desired performance levels are achieved.

To further their management goals, SDAs instituted a number of practices for enrollment, assignment to services, placement, and selection of service providers. Some of these practices grew out of their approach to the performance standards.

Most of the SDAs visited maintained centralized control over the outreach, assessment, and referral of clients to service components, with a smaller number leaving responsibility for these services to service providers. Contrary to expectations, the extent of screening out hard-to-serve clients was not correlated with the extent of SDA control over enrollment. Some SDAs with centralized enrollment were very cautious about enrolling clients, and others with decentralized enrollment served large numbers of hard-to-serve individuals. SDA and service-provider goals about serving the hard to serve seemed to be more important than the control of enrollment.

One area in which SDAs protected themselves against the risk of serving hard-to-serve individuals was in the timing of enrollment. SDAs used two mechanisms to delay enrollment until after some services had been delivered to avoid having to include early dropouts in their statistics. Some SDAs offered extensive pre-enrollment services that included remediation and assessment. Others referred clients to classroom training but defined enrollment as some time after the start of actual services, thus allowing service providers the chance of serving the maximum number of clients allowed in their contracts. Likewise, OJT clients were usually not enrolled until they had actually started working. Both of these practices removed early dropouts from the denominator when calculating entered-employment rates, thus improving performance on those standards. Statistical analysis confirms that SDAs with longer pre-enrollment periods have significantly higher measured entered-employment rates.

Some SDAs gave the primary responsibility for placing clients to their service providers, and others maintained this function at the SDA level. When the service providers had performance-based contracts, they were often not paid the holdback for placement if the jobs were not training related, did not last a specified length of time, or did not meet a specified wage. However, SDAs could report these placements on the JASR, thus improving their entered employment rates and lowering costs.

Two factors shaped the influence that the JTPA performance standards exerted on the case study SDAs' choice of service providers. First, the great majority of them had been facing declines in their JTPA allocations over the past several years. This environment offered little practical opportunity to select completely new providers; instead, the typical decision facing the SDA was how to distribute funding cuts among providers. In this situation the second factor became critical: the SDAs' tendency to distinguish between a stable inner core of service providers and those that were more peripheral, and consequently more dispensable. Providers on the periphery were more vulnerable both to serious funding cuts and to having their JTPA contracts completely discontinued—and their performance on the entered-employment rate and cost standards often figured prominently in the decision.

A number of additional factors influenced provider selection and retention, often more strongly than the performance standards per se. Primary among them were the supply of alternative service providers available to the SDA, the characteristics of the local economy, the amount and categories of services that the SDA contracted out, and the goals and philosophy of the PIC and SDA.

Among the 29 case study SDAs that did any contracting, 20 (69%) had at least some current performance-based contracts, and several planned to expand their use; and one of the SDAs without any current performance-based contracts was likely to convert to this format in PY 88. Although the performance standards were a factor in the spread of performance-based contracting among the case study SDAs, the 15% administrative limit was at least as important as an SDA's desire to gain tighter control over providers' performance. This was especially true in the context of declining JTPA allocations.

Among both performance-based and cost-reimbursement contracts, the great majority built an SDA's standards into the contract terms of its providers as either requirements or goals. In about half of the case study SDAs, contracts built in the SDA's standards (usually with a "cushion") directly. Most of the other half employed a more complicated "jigsaw" approach of letting key contract terms vary among their providers but taking care that, aggregating across the standards, they met or exceeded the SDA's own standards.

Despite the evident influence of the performance standards on service-provider contracts, contract terms should not be understood as simple outgrowths or reflections of the standards. Many of the key features of these contracts predate JTPA, as does the use of performance-based contracts in several of the case study SDAs. Among the case study SDAs, the relationship between contract terms and the SDA's performance standards was affected by several factors. These included how difficult a given SDA found it to recruit and retain clients, the relative employability of available clients, the provider supply, the status and direction of the SDA's allocation, its access to non-JTPA funding, and the philosophy and goals of the PIC and the SDA staff. Even when the form of performance-based contracts is a recent development, they often essentially continue the mutual expectations that an SDA and a provider had developed in earlier years.

The placement rates required in placement-oriented contracts typically ranged between 60 and 80%. Eight case study SDAs had contracts specifying placement holdbacks exceeding 50%, while 10 had contracts holding back between 20 and 50% (there is overlap between the two SDA groups). This practice assigned a maximum share of the risk associated with the performance standards to the service provider. SDAs that, in contrast, held back little or nothing for placements relied more heavily on noncontractual means of managing their providers' performance. Among these, the most common were regular periodic monitoring of performance using MIS data; frequent visits and contacts; and routine provision for midcourse corrections.

As was the case for SDAs, service providers varied in the extent to which they oriented their program-design decisions toward meeting their performance expectations versus meeting other organizational goals. In most cases, there was enough room to maneuver that service providers did not have to dramatically redesign their training program or client selection procedures to meet their contract obligations. At the extreme, pressure to perform at high levels (under either performance-based contracts or cost-reimbursement contracts) did cause greater caution in client selection and in service design among service providers. Particularly influential were pressures to achieve high wage rates; high placement rates; or high portions of payment reserved for achievement of placement outcomes.

XII. SDA and Service-Provider Opinions of the Performance-Standards System

Introduction

In the 30 SDAs visited as part of this study, we observed a wide variety of overall responses to the performance-standards system. In many ways, the effects of the performance standards on clients served, types of services provided, and SDA management practices seem to be conditioned by the ways in which key actors at the SDA level view the standards. Some SDAs saw standards as being consistent with the goals of the JTPA program and with their own locally established goals. Often, standards were used as an integral planning and management tool. Other SDAs saw performance standards as being in tension with other objectives. Still others viewed standards as being secondary to other program goals, and thus, performance standards were largely ignored in making management decisions. In some SDAs, different actors viewed the standards differently; in others, the reactions differed depending on the specific measure under consideration.

Case study respondents at the SDA level were asked several questions related to their perceptions of the performance-standards system. First, they were asked their opinion of the adequacy and appropriateness of the standards system (as well as the actual measures used) as a reflection of JTPA program goals. Related questions were about the levels at which the standards are set, the reactions to the DOL optional adjustment model, and the anticipated effects of the new standards to be implemented in PY 88. Case study respondents at the service-provider level were asked about their familiarity with the performance-standards system and their reactions to the performance expectations placed on them by the SDA.

This chapter reviews SDA respondents' reactions to the above set of questions. It illustrates the extent of diversity in overall views of the standards, reflecting the diversity in operating environments and management approaches that shape the operation of the JTPA program at the local level.

Overview of Chapter and Key Findings

In summarizing SDA reactions to the performance standards, we first describe SDA opinions about the extent to which the standards are an adequate reflection of JTPA program goals. The next section describes SDA opinions about the levels at which the performance standards are set. It is followed by a section on SDA reactions to the DOL adjustment model. Next, we summarize SDA responses about the need for additional technical assistance on the performance standards. Finally, we summarize SDA responses to questions about data concerns and reporting concerns and SDA responses to the new standards implemented for the first time in PY 88.

SDAs expressed differing positions on the standards. About one-third of the SDAs visited expressed general support for the performance standards' reinforcement of program accountability and thought that the standards were generally useful management tools for the JTPA system. About one-fourth of the SDAs visited gave the performance standards mixed or conflicting reviews. About one-third of the SDAs were generally neutral about the standards. A small number of the SDAs visited were primarily critical, perceiving the standards as dominating the JTPA system and diverting attention from the needs of clients.

In summarizing service-provider reactions to operating in the performance-standards context, we reflect that most service providers do not have a broad view of the performance-standards system as a whole but rather are familiar with only that version of performance expectations that is communicated to them by the SDA through contract goals and requirements. This limited view point is sometimes responsible for misunderstandings between service providers and SDAs that could be avoided if the SDAs shared more information about broader program objectives with service providers.

The Standards as a Reflection of Program Goals

Responses to the most general questions about the extent of SDA support for the standards system fell into four major categories: concurrence with the focus of the standards (9 SDAs or 30%), mixed or conflicting reviews (7 SDAs or 23%), neutral comments (11 SDAs or 37%), and openly critical reactions (3 SDAs or 10%).

The nine SDAs in which interview respondents expressed general support for the standards had two notable features in common: they have track records of good-to-excellent performance on the standards; and with one exception, they actively used the standards in planning and managing their programs. However, they also differed from each other in important ways: urban/rural environment, nature of standards-related policies in the State, extent of involvement of the PIC in policymaking, extent of staff continuity from CETA, types of contracting and service-provider arrangements, and characteristics of their local economies.

A vocal minority of these SDAs were adamant that the standards are not an important factor in shaping their local program goals or operations but are secondary to goals established by the PIC or staff. The remainder report that they actively use the standards to measure the performance of contractors or consider them a useful barometer of the SDA's overall success.

One of the most frequent themes among those expressing support for the standards was that they enhance the program's accountability and are useful as a management and oversight tool. Some of the comments reflecting those views were the following:

- "You don't know if you win unless you keep score." (The quote was from a PIC member but represents the reactions of SDA staff as well.)
- They "are a useful measure of what we are doing, but I don't know if we would do anything differently without the standards... number one: we serve our population, and number two: we do it in a way that meets or beats the standards." The SDA that contributed this observation has always met all seven of the standards, a matter of pride to them.
- "Accountability isn't a dirty word. Performance isn't a dirty word.... The standards have taken a soft and flabby human service program and made it into a goal-oriented program that works."
- "In general, the standards are a good idea. They are a way of forcing other SDAs to run the program as well as we already do." This is an SDA that, at the beginning of the program, "designed their services and contracting around the standards" and viewed them as a key guidepost for setting program priorities. However, their current focus is more on managing what they view as a good program and meeting the needs of their local community than on meeting standards or earning 6% incentive funds.
- "They are necessary to ensure the integrity of the JTPA program." This was cited as the unanimous view of one SDA's major actors, who also cited the performance standards as an integral part of local management strategy. Respondents in this SDA stated that they view good performance—as measured by the standards—as a valid indicator that they are a success.
- They are "useful and valid benchmarks which help practitioners to be more conscious of outcomes and goal achievement. They are not crosswise to the goals of the program." This SDA also said they had never dropped a program they thought was good because of the standards, and if the issue ever arose, they would "sacrifice the standards." Their stated goal is to meet, not exceed, the standards, and they were adamant that the standards "do not distort program decisions. We can serve those most in need and still meet the standards."

Among the SDA respondents expressing overall support for the standards system, a second theme emerged, although less frequently than the comments about accountability. This was the view that the performance standards have a positive effect on the image of the JTPA program, particularly with the private sector. SDAs made the following kinds of comments:

- "The standards get at the heart of what JTPA is all about; they have a positive effect on people's perceptions of the program; they are a barometer for distinguishing us from CETA. It isn't possible to reflect everyone's concerns in a manageable set of standards." This was from an SDA that actively uses the standards to manage their service-providers' performance, setting contract requirements above the standards level. A provider comment from that SDA was: "the days of serving the economically disadvantaged as a 'good cause' are over, because we are measured on our accomplishments now."

- "The greatest influence of the performance standards has been as a public relations tool for elected officials and the private sector."
- "Especially if you want the private sector involved, the program has to have a performance orientation and measures of progress." The standards are useful in selling the program to employers and the public, a needed focus because JTPA is "still one of the best-kept secrets around."
- "There's no question that performance standards have been a positive public relations tool for JTPA, that they have helped enhance the program's respect in the eyes of employers, PICs, and the public at large. With the PICs, though, there was a learning curve about the standards' workings." Other respondents worried that the learning curve was a big issue: "Our PIC members think it is good to have accountability, but it's too bad that the rules for implementing the standards are so wacky." "The PIC sees the standards as 'technical stuff'."

A second group of SDAs had decidedly mixed views about the adequacy of the performance-standards system. In many such SDAs, it was the PIC (or those working most closely with them) who expressed the strongest positive views of the standards, while other staff (sometimes those working most closely with service providers) were more critical. In some SDAs, different perspectives were expressed by a single respondent. On the positive side, many of their comments echoed the sentiments expressed above. On the negative side, respondents pointed to the standards' lack of emphasis on quality of training, a disincentive to serve those most in need, and a tendency to resist new or innovative training approaches. Some of these mixed views are represented by the following comments:

- "The standards have forced a more disciplined approach to the program on the part of (the PIC and) SDA staff. They are appreciated by the business community. However, they encourage short-term, quick-fix solutions and they are blocking needed structural changes in our program. They are not good indicators of our real performance." This SDA believes that the emphasis on youth expenditures is excessive and is taking money from adults who need it more. They also want to know how the national departure point for the youth positive-termination rate "got so high."
- "They address the need of the system to be accountable, but they don't tell us much about the net impacts of the program, and they tilt the balance toward meeting employers' training needs" (rather than the needs of those seeking training). This was from a high-performing SDA that stresses youth services, has a strong interest in "looking good," and believes that the standards have left them no latitude to take risks.
- "They reflect the goals of JTPA. It's great that they exist. All our programs should be aimed at meeting the performance standards." However, another respondent from the same SDA stated that "they are not a focus—I'm interested in designing a program that fits together intellectually, not in cooking numbers." This is a large and extremely varied program with a stated dedication to serving anyone who needs service.
- "The standards get a lot of support as a vehicle to encourage cost-effective-

ness. They are good for eliminating less effective providers. But they discourage risk-taking and don't permit or reward service to those most in need."

- "They make the program better-run; they prevent the CETA phenomenon of 'perpetual trainees.' However, they lead an SDA to enroll those with a high probability of success, with the result that others are not getting the services they deserve." The SDA that had these comments also added that "creaming is inevitable—employers do it, why shouldn't we?" Staff differ in their opinions about the relative advantages (in serving disadvantaged individuals) of encouraging them to take "any job" and worry about upgrading later (with the benefit of some work experience) or pushing for a higher quality job right away.
- Another SDA expressed support for the accountability that the standards represent but also stated that they "are not all that useful in that they do not do a good job of measuring the extent to which a program makes a difference for the individual trainee. The standards are just placement oriented. The system is too much focused on standards and not enough on people." This is an SDA that holds the standards responsible for the "virtual shutdown of occupational classroom training" and the predominance of short-term interventions.
- "The standards are good in that they give you the numbers you need to keep track of the program, but they don't give you a real feel for the quality of the program or the jobs people are getting. Even performance on the wage standards doesn't tell you about the fringe benefits people are getting."
- Another SDA characterized the standards as salient to their goals but incomplete. They cited the wage standard as the only one that highlights quality of services and outcomes. They do not use the standards as a planning tool or as a basis for setting program objectives but rather as a mechanism for quality control after the fact. In fact, they consciously try not to let the performance standards drive their program. They hope the standards will let them operate "business as usual" and still get some incentive funding. However, another comment from the same SDA was that the standards "can't help influencing service design, because they have gotten tighter and tighter every year. We have had to delete the most expensive training options."

The mixed overall view of the standards also translated into mixed views about how they affected the public perception of the program. As far as some SDAs were concerned, the standards were a mixed blessing:

- "We are trying to change our image to be a cost-effective program involved with the private sector, and the performance standards are very helpful for that purpose. But they are too neutral with respect to who is served; we don't feel rewarded for taking the initiative to focus attention on hard to serve clients."

A third group of SDAs had fewer general comments about the appropriateness of the standards. They can be characterized as simply accepting the standards system as given. Their comments were concentrated instead on discussions of how they had learned to adapt to the system. This was a varied group of SDAs, with different levels of PIC influence and CETA continuity and different local environments.

Of the 10 SDAs in that category, 7 de-emphasized the importance of performance standards in their decision making. However, some of those same SDAs admitted that earning the maximum amount of 6% funding was an important goal in a world of shrinking allocations. (One of these SDAs even gives staff raises that depend on the level of 6% award achieved.) One of the SDAs in this category explained this seeming contradiction by stating "we go about business as usual and then hold our breath." Those SDAs also cited a strong role of the PIC or LEO in setting program priorities.

The other three SDAs cited a stronger influence of the standards in shaping their local programs. One said that "they drive our whole program, and influence our choices about types of training, emphasizing the shortest, cheapest programs that are still aimed at high wage jobs." Another said that, however important it is to maximize measured performance, that goal does not keep them from serving high-risk clients nor induce them to "do job club or money wasters." The single feature that these three SDAs have in common is that they have all experienced some difficulty meeting one or more standards.

The final group (3 SDAs) were primarily critical in their comments about the performance standards system as a whole. The reasons they gave were the following:

- "The performance standards intensify system inertia—where there is a bias against change, the standards exacerbate it and are used to justify a reactive posture." (This comment was from a respondent in an SDA judged to have adopted a reactive posture to operating their program).
- "We are concerned that the standards focus more on quantity than quality; they do not reflect the challenge of serving those most in need; they provide incentives for numbers-playing; they discourage attention to upward mobility; they promote quick-fix solutions to employment needs." This SDA is serving an increasingly needy population because of the decline in unemployment, and respondents report that they are nervous about the effect of this change on their measured performance.
- "The standards get too much attention in the system. It's inevitable. Our survival depends on meeting them. They drive the system too much." This SDA gives staff a $500 bonus if performance standards are met. One respondent in the SDA believes that the system is overreacting to the perception of CETA as "sloppy" by running a program that is afraid of innovation and places too much emphasis on "running a tight ship."

In other words, case study interviewers encountered nearly as many different overall reactions to the performance standards as there were respondents with a genuine interest in program management and performance issues. The views expressed above were directed at the performance-standards system as a whole. In addition, SDAs were asked their opinions about specific standards and the ways in which specific standards affect local operations.

The standards that occupy the greatest share of management attention at the SDA level fit into three categories: (1) those that the SDA perceives as being most difficult to meet—most frequently wage and youth standards, (2) those that the State has mandated or emphasized in the incentive formula—usually the adult standards, and (3) those that local decision makers view as important—predominantly the entered-employment and cost standards.

Several respondents stated that the standards are, or ought to be, equally important. As frequently as not, they went on to qualify such statements by pointing out those standards that have been tracked with most care at the local level: Examples cited by particular SDAs were wage (hardest to meet) and cost (most heavily rewarded in the incentive formula). Cost also emerged as one of the standards emphasized by those local PICs that are anxious to spread a limited amount of money to serve as many persons as possible. Some such PICs appear to be rethinking the latter emphasis, given increased Federal emphasis on quality of training. Others regret the emphasis placed on cost.

The youth standards were cited as a particular problem for some SDAs: those that were late in developing YECs or that were still resisting developing them, and one SDA in which staff believe that the needs of disadvantaged adults are more urgent than those of youth. (On the other hand, one SDA respondent stated that "we believe that money spent on youth is well spent," and thus that the youth standards are important as measures of success.)

Average wage was singled out as relatively important in many SDAs, although for different reasons. Some said that achieving high wages is a matter of local policy priority. Others describe average wage as the target of considerable attention because of being difficult to meet. Pressure to meet wage expectations was also cited by service providers as one factor influencing them to select relatively job-ready clients. Some SDAs were able to improve their performance on the wage standard by relying on OJTs in which they were able to negotiate wage increases during the period of training. One SDA offered the opinion that an overemphasis on high wages may have cost them some placements. Finally, one respondent stated that, although the SDA had complained about the wage standard, they are glad they were "pushed" to achieve higher wage outcomes for their participants.

Levels at Which Standards Are Set

Case study respondents were also asked about the levels at which the standards are set. SDA reactions to those levels followed patterns that appear to be shaped largely by their history of performance, both overall and with respect to particular standards. The other factor that appears to have influenced SDAs is differences in State performance-standards policies. SDAs in those States that emphasize overperformance in their 6% incentive formulas were more likely to express concerns about high or escalating standards levels.

About half of the case study SDAs showed a lack of concern for the numerical levels at which their standards are set but accepted them as a matter of course. For the most part, these were SDAs that had experienced little or no difficulty attaining the expected levels of performance. One respondent in such an SDA went so far as to State that they like the fact that the standards are easy to meet, but they are "not stupid enough to say the standards are too low." Another stated that, in general, the standards are meaningless if everyone meets them. On the other hand, if they are set too high, SDAs will have an increased incentive to cream. Both of these SDAs are in a State that has placed very little emphasis on performance.

Respondents in nearly one-fourth of the sample SDAs commented on the increases over time in the levels of expected performance. All of these SDAs are in States in which part or all of the 6% incentive funding is awarded based on competition among SDAs. One such SDA characterized the effort to meet the standards from year to year as "trying to hit a moving target." At least four others made specific reference to the "ratcheting" effect that results from using a national departure point based on the previous years' performance. One respondent went on to say that the overall increases in the levels at which standards are set are heightening the emphasis on quick-fix solutions, an emphasis at odds with the remediation focus of the program. The increasing level of the standards, in that respondent's opinion, creates too much of a tendency to make decisions based on "the quicker the better" criteria, to cream within target groups.

The remaining SDA reactions consisted of complaints that a specific standard is too high, difficult for them to meet, and therefore absorbing a great deal of management attention. This group included all four of the SDAs in the sample State that most strongly stresses overperformance. One respondent noted that, if one standard is too difficult to meet, it will skew the program.

As stated above, the most frequently mentioned "problem" standard was wage, cited by at least seven case study SDAs as being the most difficult to meet. The youth positive termination and cost per positive termination were also frequently cited. Some SDAs said that these standards make it difficult to serve high-risk youth. One went further to say that even easing the pressure on the youth cost standard—while keeping the positive termination rate high—won't do any good: "throwing extra money at them (hard-to-serve youth) won't solve the problems of the 20% who don't want to be helped."

In general, then, case study SDAs were equally divided between those in which the level of the standards is accepted without question and is not problematic and those in which either some or all of the standards are seen as too high or rising too quickly. The latter group in turn was divided about equally between SDAs concerned about the escalation over time in the levels of all standards and those concerned more with possible distortions that occur when a particular standard (or standards) is harder to meet than others and, therefore, from the SDA's point of view, too high. Those issues were focused on a variety of specific standards, most frequently the wage and the youth standards.

Reactions to DOL Adjustment Model

The most notable feature of SDA comments about the Secretary's model was their diversity. A few respondents' reactions were echoed in more than one SDA, but most were idiosyncratic and reflected the particular challenges faced by the SDAs in our case study sample. The most frequent response was "we wish the model took our own situation into account with more precision." Some of the sentiments that were repeated in more than one SDA were the following:

- The adjustment model is a "reasonably sensible thing to be doing." Two SDAs expressed appreciation for the efforts made at the Federal level to set up a system to adjust for local circumstances.
- Several rural SDAs noted what they believed to be a bias in the model toward urban areas, with not enough adjustment for the difficulties encountered in a spread-out SDA. Particular targets of such comments were the wage and cost standards, which they believe are particularly difficult to meet in rural areas.
- Other comments about the adjustment for area wages were frequent:
  - Average wage used to be a problem for one SDA, because of the high manufacturing wages in the area, but that has improved since the model factors have changed.
  - The model is not adequately adjusting for differences in the cost of living.

  - The model does not adjust adequately for the difference between average wage and entry-level wage, but whatever the SDA loses in the wage standard, it gains in the cost standard.
- Several comments related to adjustments for the population served:
  - The model does not really reflect regional differences in populations. For instance, the difficulty of serving Hispanics in some areas is much greater than others.
  - Two SDAs questioned State-level changes in the model for serving minorities: "at least the national model has statistics behind it."
  - The model does not adequately adjust or reward service to the hardest to serve.
  - In an area with few AFDC recipients, the "small numbers problem" makes the level of some of the standards quite volatile.
- Some comments were shaped by the service mix in particular SDAs:
  - There should be an adjustment for SDAs that conduct adult remediation programs. "We're not afraid to serve the worse-off, just afraid the model will (or won't?) catch up with us."
  - One of our case study States has developed and is testing its own model, one that some SDAs believe more closely reflects local circumstances in their State. That model includes some adjustment for the types of program activity used.
- Finally, there were a few miscellaneous reactions to the adjustment model and pending changes in the model:
  - Measuring reading level was seen by some SDAs as a problem, partly because they believe that it is a poor predictor of success and partly because of the cost of collecting the data.
  - The differences the model makes (in the standards level) are "too small to bother with."
  - The commuter ratio in the model for average wage acts against one SDA that includes out-commuters but which has a local policy to provide workers for local area employers. That SDA will re-examine its policy toward local employers.
  - There is no way to factor in the fringe benefits received, which is a strong PIC priority in one SDA.
  - One respondent noted that extreme values in the model made it possible for another SDA in the State to "make out like a bandit" in the competition for 6% funds.
  - The new terminee/participant ratio will cost one SDA $500 on the cost standard because its practice is to terminate all participants by the end of the program year.
  - One SDA concurs with three of the new factors: long-term welfare recipient, never employed, and reading level. However, they report that contractors resist the reading-level measure, apparently out of fear that they will have to educate all participants (whether they want education or not) or that they will have a disincentive to enroll those with deficient reading skills—the

provider would have been unaware of the deficiency except for the new data gathering requirement.

As part of our survey of all SDAs, directors were asked to rate how well each DOL model adjusted for the SDAs' circumstances. Table 35 presents these results. Overall, more than 50% of the respondents rated the models' adjustments as either good or excellent. Directors generally rated adjustments to the adult standards higher than the youth measures. The adjustment model for the adult wage at placement, however, was rated poor by 18% of the directors.*

Technical Assistance Needs

Only five SDAs expressed an interest in receiving technical assistance on the model. For example, one SDA would be interested in setting up the model on their computer system to work through some of the alternatives in detail.** Another SDA would like to understand why factors and weights change from year to year, citing the difficulty of planning without knowing what the factors and weights will be. Finally, one central-city SDA wanted to know the logic behind some of the specific factors in the model. Why, for instance, does increased population density raise the expected placement rate? This director hypothesized that the relationship between density and ease of placement was bimodal rather than linear, with very rural and very urban places having problems, because "all the jobs are in the suburbs now."

In addition to the SDAs where technical assistance was specifically mentioned, quite a few other respondents indicated some misunderstanding about how the model works. For example, one SDA feared that, if they improved their measured performance, their standards would become higher in subsequent years. Another only recently understood the rationale for recalculating the model at the end of the program year.

In our survey of all SDAs, directors were asked questions about the meaning of the adjustment weight in the models. Approximately 75% of the respondents understood that the negative weight for welfare recipients in the entered-employment rate model indicated welfare recipients were less likely to enter employment and that the more welfare recipients the SDA served, the lower their standard would be. Approximately one-third responded, however, that the adjustment also meant their standard would be easier to meet.

Thus, a substantial majority of SDAs understand the adjustment model, although there is still considerable misunderstanding. In our quantitative analysis, however, we found that the SDA's score on this set of questions was not related to the types of clients served.

Data Definition Concerns

Aside from the concerns expressed over the ability of the Secretary's model to adjust for SDA circumstances, a number of respondents had concerns about specific data items used in the model and JASR. "Handicapped" was the data item most often mentioned, and it is not clear whether all SDAs are fully capturing the number of handicapped clients

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*It is interesting to note that the adjustment model explained over 62% of the variation in average wage rates across SDAs in PY 86, higher than any other model. The directors' greater dissatisfaction with the adjustments probably reflects the fact that SDAs have less control over the wage-rate outcome than the other performance measures.

**This SDA had enrolled some Title II-B in-school youth into Title II-A programs. This action apparently made YPTR more difficult for them to meet (or so they thought), since this group of participants included fewer minorities, dropouts, and AFDC recipients than their other Title II-A participants, and thus the level of the adjusted standard was raised. Had they been able to project in advance the effects of this change in participant characteristics, they might not have made the enrollment change.

Table 35

Directors' Ratings of How Well Each Model Adjusts for the SDAs' Circumstances

	Excellent	Good	Fair	Poor
Adult Models				
Entered-employment rate	8.3%	56.2%	28.0%	6.2%
Average wage at placement	6.4	43.3	30.4	18.0
Cost per entered employment	10.1	53.1	24.7	10.1
Welfare entered-employment rate	6.7	48.3	32.6	10.5
Youth Models				
Entered-employment rate	5.6	47.7	31.0	13.1
Positive-termination rate	4.6	46.3	31.4	15.4
Cost per positive termination	7.2	47.8	28.0	14.4

they serve; a few providers reported that clients felt stigmatized if categorized as handicapped and would not sign their intake forms if that box was checked. Another client characteristic that caused some concern was "offender." One State visited had established a task force to look at definitions, which decided to use the Federal definitions but to issue clarifications to their SDAs.

A few respondents worried about the lack of outcome definitions. One director was concerned that "just going to work is a placement," and wanted some more precise definition. Others were troubled by the lack of uniformity in YECs across SDAs; as one director said, "we aren't all playing by the same rules."

Aside from these specific concerns, most respondents had no concerns about the consistency of the data presently used in JTPA programs. The data required for the new follow-up standards had little visibility in most SDAs visited, because nearly all of the case study States collected that information in a centralized way. However, two SDAs in the one State that required SDAs to do their own follow-up were concerned that welfare recipients would not reliably report their earnings and employment at follow-up, for fear that their benefits would be jeopardized.

Reporting Concerns

For the most part, respondents did not feel overburdened by JTPA reporting requirements, at either the SDA or the service-provider level. When asked about this aspect of JTPA programs, most service-providers took the attitude that the reports usually required of them—attendance forms, progress reports, placement outcomes—were reasonable given the sort of program they were participating in. Only one service provider complained that documenting payment points was a burden, and one in-school youth provider wondered if paperwork requirements prevented more principals from participating. Two service providers mentioned that reporting was a burden when clients were receiving services through two funding streams that had different forms requiring the same information.

SDAs usually had automated systems that allowed them to quickly and easily transmit reports to their States and, therefore, did not feel that reporting was an inconvenience. In general, these MIS systems had been designed by the States, and SDAs were satisfied with their overall operation, feeling that they got useful and timely summary information back from the MIS as well as having few worries about submitting the raw data. However, one respondent strongly disagreed with overall lack of concern about the reporting burden: he had calculated that JTPA programs required four times as many reports as CETA and believed that most SDA directors merely passed on requests for more data to their subordinates without thinking about the burden involved.

Anticipated Effects of New Standards

Discussions of the effects of the post-program standards to be implemented in PY 88 took a different turn depending on whether the discussion was focused on the general effects of the standards on the JTPA program as a whole or the specific anticipated effects on the SDA's own program and level of measured success. A large majority of the respondents who addressed systemwide effects said they supported the adult post-program standards. Even those who admitted to some uneasiness about implementation added that in principle they support the new standards. Some of the overall views they expressed were the following:

- They will show the world the value of real training; they will enhance the reputation of the JTPA program.
- Our response is enthusiastic: post-program standards will be a better

measure of whether the training "sticks"; they are consistent with this SDA's goals; in fact, DOL should mandate that they be used.

- They are viewed as "healthy"; if anything, it would be good to use a longer time period after training; other useful measures would be a welfare dependency reduction and the additional number of participants an SDA was able to serve by linking with other sources of funding for supportive services.
- We agree with the focus on follow-up; we already track post-program outcomes for our participants. (Several SDAs expressed variants of this sentiment, a few adding that they use a 2-week or 30-day post-placement retention point as a basis for payment in fixed-unit-price contracts.)
- They will be a more accurate reflection of the quality of the program (at least three SDAs).
- We support measuring follow-up outcomes. We are already reducing our job-search assistance program because we have noticed the low retention record of those who participate in that program only.

Some SDAs responded more in terms of the expected practical effects of follow-up standards on their own SDA's operation than in terms of their reactions to follow-up standards in principle. The majority of these responses were defensive in nature. One respondent characterized the follow-up employment standard as dangerous and not a good management tool, because the SDA has no ability to control post-program outcomes. Follow-up earnings measures were more easily accepted, because they reflect the experience of employed clients. The follow-up standards were dubbed "meaningless and ineffective" by an SDA that acknowledged being "uneasy" about their practical effects.

The follow-up standards, another SDA noted, will create conflicts with current pressures to serve more participants at low cost and with the severe barriers to employment presented by the client population (which this SDA does not feel it has enough time to remove). Post-program outcomes are likely to cause problems for this SDA, although local priorities are already shifting somewhat toward more intensive services that will help them meet these standards.

By contrast, one SDA welcomed the challenge of implementing the new standards, believing that they will make the SDA serve fewer people with more intensive and more expensive services. This was a direction they are already moving in response to State policies emphasizing quality and de-emphasizing cost.

At the time of our case study visits, many States had not yet decided how many or which of the new standards they would use. Thus, some of the case study SDAs were concerned or uncertain about how their States would choose to implement the new standards. Others worried about procedures for data collection. One SDA expressed concern about who will collect follow-up data: if service providers are required to do it, there may be incentives for them not to be objective in reporting findings. If the SDA or State does follow-up, they will have more difficulty tracking and finding terminees and getting them to respond meaningfully. Several service providers who served developmentally disabled or mentally ill individuals worried that centralized follow-up would be inappropriate for their clients.

From those SDAs in which respondents singled out the new youth standard and changes in competency requirements, the reactions were most frequently negative. One SDA, however, expressed support with the general thrust of the changes. This SDA acknowledged that it had initially developed

YECs only because of the need to meet the positive-termination-rate standard, but staff now believe that they are appropriate and good. They support stronger definitions, believing that some areas are abusing the YECs. However, the requirement to achieve two of the three competencies will be difficult for those programs in which occupational skills training is on an individual basis.

Another SDA was worried about the requirement to document achievement of two competencies. It is not fair, they said, changing definitions and standards in the same year. This does not allow SDAs to gather baseline information for planning purposes.

Two other SDAs were even more adamant in their opposition. "We strongly oppose the new youth requirements. They (other SDAs) will just manipulate YECs to meet them. YECs were hard to set up, and now there's an incentive to change them." The other SDA characterized the new youth employability enhancement standard as "a monster, a creation of the education people." Staff in this SDA believe that the employment focus of the program should be emphasized: "what counts are jobs."

In general, SDA reactions to the new standards to be implemented in PY 88 fell into two categories: (1) generally positive reactions to the post-program standards for adults in principle, with some SDAs expressing doubts about what their practical effects might be, and (2) a lack of enthusiasm for changes in the youth standards.

Service-Provider Opinions of the Performance-Standards System

Interviews with case study service providers indicated that as a group they had a limited view of the performance-standards system under which the SDAs operated. Service providers were by and large unaware of the existence of performance standards in general, although a few knew that the SDAs were somehow judged on outcomes and received bonus funds based on those outcomes. Even when service-provider staff knew of the existence of a performance-standards system, they were usually unaware of the levels at which they were set. An exception to this overall pattern existed in a few SDAs where service providers served on PICs. However, for the most part, the service providers tended to know only the terms of their own contracts.

Because of the narrow perspective of most program operators, they often had a hard time understanding why SDAs took certain actions to achieve overall management goals, including performance goals. For instance, service-provider staff were often resentful when SDA intake and assessment staff referred participants that the service provider had recruited to other programs or activities within the SDA rather than back to the service-provider's program. (SDAs sometimes diverted the most job-ready clients referred by providers into a job-search component run by the SDA.) Service providers usually were unaware of the range of services being offered by the SDA and, therefore, did not realize that a more appropriate service might exist. However, their distress was understandable in SDAs where unemployment was low and recruitment a problem, because service providers in these circumstances were desperate for clients.

Sometimes service providers were greater risk takers than SDAs when it came to recruiting clients, because of their commitment to serve the hard to serve. One service provider was angry when potential participants were rejected by SDA intake staff on the basis of purely subjective judgments about their likelihood of program completion; the provider reasoned that the performance-based contract gave them the right to take their own risks, especially when there were training slots going unfilled.

Another procedure that helped SDAs meet their own performance goals but caused resentment among providers was the common practice of SDAs taking credit for placements made by providers that were not eligible for reimbursement under the terms of the provider's contract. Usually these were placements that were non-training related, part time, or at a wage below that specified in the contract. One service provider negotiated partial payment for part-time placements after learning that the SDA could take credit for those placements; they reasoned that many employers wanted part-time employers and many participants wanted those jobs.

Because service providers did not always know the performance requirements under which the SDAs operated, they did not understand why some of their contract terms were important to the SDAs. For instance, a few service providers that were not paid for placements below a certain wage rate thought that many potential clients could only be expected to obtain minimum wage jobs and disliked having to turn them away due to the wage requirements in their contracts.

Although many service providers did not fully understand the performance-standards system, they nevertheless appreciated the chance to be judged on outcomes, either by operating under performance-based contracts or through careful performance reviews. All kinds of organizations reflected the attitude that the JTPA system was different from the CETA program because outcomes were important. One private nonprofit provider said, "JTPA is a good program because it takes the money and gives it to the private sector, which knows how to do things. This is like a business; if we can't perform, then we shouldn't be in the business of training people." A CBO with a history of service that went back to CETA liked performance-based contracts "because they make you feel like you're running a business, because you provide a service and get paid for it." However, several service providers reported that they would not undertake new or innovative programs on a performance-based contract, only programs with a proven track record.

As discussed above, performance-based contracts were not new in many SDAs. What was new very often was an increased emphasis on lower costs, as SDAs felt driven by their declining allocations to spread resources thinner and thinner. Service providers felt this pressure very strongly, and many worried how much more they could cut.

When performance-based contracts were new, their implementation seemed to proceed more smoothly the more the SDA staff explained the reasons for their desired contract terms. Several educational institutions strongly resented the placement holdbacks that were imposed on them without explanation. These respondents either felt that what the SDAs were doing was illegal or that holdbacks constituted arbitrary reductions in tuition that was rightfully theirs. However, many other educational institutions had adjusted to the notion of placement holdbacks without problems; one program operated by a community college was proud of the fact that they were more accountable for taxpayers' money than, say, the English department.

Service providers that were unhappy with performance-based contracts were usually in SDAs with low unemployment. Recruitment was difficult in these SDAs, which often meant that service providers would not have enough clients to obtain the full amount of their contracts. These providers felt that their unit costs had been negotiated so far downward that they were operating "on the edge" anyway, so the prospect of not having enough clients to fill slots was especially disheartening. In addition, the improved economy generally meant that they had to serve increasingly more difficult clients at increasingly lower costs, a situation that left them feeling squeezed and out of control. The same CBO that was glad to be operating under performance-based contracts in order to be judged on outcomes also pointed out the down side: "Unit pricing has advantages when you have people to enroll, but if you don't, you might take a loss. Since we don't have clients, I've given my instructor notice—if we were on cost-reimbursement maybe I could use her to do recruitment."

Although service providers shared with SDAs the goal of achieving good outcomes, they often felt that their very survival depended on being paid the full amount of their contract. This differing perspective explains why some providers were thinking about leaving the JTPA system—the flow of funds was simply too uncertain. When service providers felt assured of their own survival, however, they were willing to go beyond the terms of their contracts. We saw no evidence, for example, that any service provider stopped placing clients when the maximum amount of their contract was reached. In fact, many were proud to have achieved higher placement rates than were called for in their contracts.

Summary and Conclusions

About one-third of the SDAs visited expressed general support for the focus on accountability that the performance standards reinforce; these SDAs also supported their usefulness in enhancing the credibility of the JTPA program.

About one-fourth of the SDAs visited gave the performance standards mixed or conflicting reviews: while they appreciated the increased emphasis on outcomes, they also pointed to the standards' lack of emphasis on quality of training and disincentives to serve those most in need or to try innovative training approaches.

About one-third of the SDAs were generally neutral about the standards and had mostly concerned themselves with adapting to them.

A final group of three SDAs were primarily critical in their comments about the performance standards system as a whole, because they perceived them as dominating the JTPA system and diverting attention from the needs of clients.

SDAs were about equally divided between those in which the level of the standards is accepted without question and is not problematic and those in which either some or all of the standards are seen as too high or rising too quickly. The latter group in turn was divided about equally between SDAs concerned about the escalation over time in the levels of all standards and those concerned more with possible distortions that occur when a particular standard (or standards) is harder to meet than others and, therefore, from the SDA's point of view, too high. Those issues were focused on a variety of specific standards, most frequently the wage and the youth standards.

SDAs had diverse comments about the DOL adjustment model, but no overall pattern emerged. SDAs were often concerned about a single factor or standard for which the model did not seem to fully take their circumstances into account. The model is still mysterious to some, and more technical assistance was requested by a number of SDAs; a few were operating with obvious misunderstandings of the model.

For the most part, respondents did not feel overburdened by JTPA reporting requirements, at either the SDA or the service-provider level. SDAs generally had State-designed information systems that allowed them to both input and retrieve the data they wanted without trouble. Service providers felt that the SDAs made reasonable data requests. However, several SDAs expressed concern about the extent of the documentation required of clients for eligibility purposes.

SDAs expressed a mixture of support for the intent of the new post-program measures, skepticism about how they will work in practice, and difficulties with the new youth standards and requirements.

Most service providers do not have a broad view of the performance-standards system as a whole. Rather, they are only familiar with performance expectations that are communicated to them by the SDA through contract goals and requirements. This limited view point is sometimes responsible for misunderstandings between service providers and SDAs that could probably be reduced if the SDAs shared more information about broader program objectives with service providers.

This chapter has indicated that SDAs and service providers had a variety of reactions to and opinions about the performance standards. It is important to remember, however, that performance standards are only one aspect of the JTPA system. When the case study interviews turned from an overt discussion of the standards and their effects to a more detailed examination of the SDAs' and service providers' actual service program and client population, the influence of the standards often receded or were overwhelmed by other factors, such as the local environment, PIC and State client goals and priorities, and other Federal requirements such as the necessity to spend 40% of the Title II-A allocation on youth.

Section D.
Summary of Study Findings and Conclusions

XIII. Conclusions about the Impact of Performance Standards on Clients, Services, and Costs

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Results from the Quantitative Analysis

The quantitative analysis identified how variations in State performance-standards policies have affected the clients, services, and costs of local JTPA programs. The quantitative analysis traced the effects of State performance-standards policies in two ways. First, we measured the total effects of State policies on clients, services, and costs, controlling for a variety of other variables, including local economic conditions, characteristics of the JTPA-eligible population in each local area, and variations in the roles played by PIC members and LEOs. Second, we examined the impact of several SDA design decisions on the types of clients served, including procedures to recruit and enroll different type of clients, criteria for selecting clients, the type of service providers used, and the type and terms of contracts. We then examined the influence of performance standards policies on those design decisions.

The analysis of the impact of performance-standards policies showed that several dimensions of State performance-standards policies do significantly affect the extent to which SDAs serve members of hard-to-serve groups and the types and average duration of JTPA services provided in the local area. Policies that increase service to hard-to-serve clients in JTPA include the following:

- Use of the DOL adjustment model significantly increases the percentage of both adult welfare recipients and dropouts served. Use of the adjustment model also significantly increases enrollment of youth with "other barriers to employment" (that is, offenders, handicapped individuals, and limited-English speakers).

- State policies on adjustments beyond the model have less consistent effects but increase services to adult minorities and increase services to youth welfare recipients and minorities.
- State policies on use of 6% for hard to serve (setting aside 6% funds for services to hard-to-serve groups, requiring that some 6% funds be used to serve hard-to-serve groups, or exempting 6%-funded projects from the performance standards if they are used for hard-to-serve groups) increase service to adult welfare recipients and to adults with "other employment barriers" but decrease services to women. For youth, these policies increase enrollment of welfare recipients and in-school youth.
- State policies encouraging services to specific client groups (a formal policy statement or a 6% policy that rewards service to a particular group) are effective in increasing enrollment of welfare recipients, dropouts, and older adults.

Policies that decrease service to hard-to-serve clients in JTPA include the following:

- Incentive policies that emphasize exceeding standards include (1) reserving most of the incentive awards for substantially exceeding standards, (2) having SDAs compete for 6% funds by comparing performance levels across SDAs, (3) not "capping" the performance level beyond which additional incentives would not be earned, and (4) requiring a large number of standards be exceeded to qualify for incentive awards. These policies significantly reduce service to welfare recipients and minorities for both adults and youth and reduce service to older adults and in-school youth.
- Placing greater weight on the cost standards reduces service to adult welfare recipients and adult dropouts. For youth, this practice was estimated to reduce services to welfare recipients, dropouts, and youth with other barriers to employment.

These results indicate that some State policies have their intended effects but that the incentive policies in some States are unintentionally reducing service to some hard-to-serve groups.

State performance-standards policies also influence the types of services offered in JTPA programs, including the relative emphasis on types of program activities and the average duration of JTPA services.

Several State policies are generally associated with more intensive or longer term services:

- Adjustment procedures. Use of the DOL model significantly increases the length of adult programs and reduces the amount of job-search assistance provided to youth. State policies that specify procedures for additional adjustments significantly increase provision of basic skills training to youth and reduce job-search assistance, although they have an unexpected negative impact on the length of participation.
- State policies for hard-to-serve groups. State policies for serving welfare recipients significantly increase the amount of basic skills training offered for both adults and youth and reduce the amount of OJT, significantly so for adults. Policies for serving dropouts significantly increase the average length of services for adults and youth, but policies for serving dropouts also increase the provision of job-search assistance, reducing OJT for adults and work experience for youth.

- Placing greater weight on the wage standard. Policies emphasizing the wage standard significantly increase provision of classroom training in occupational skills and reduce OJT for adults.

State policies that were found to reduce service to hard-to-serve groups also affected program services. These policies generally either reduced the intensity of services or increased the employment focus of the program. These policies include the following:

- Emphasis on exceeding standards. State policies that emphasize exceeding standards lead SDAs to provide less basic skills training and more classroom training in occupational skills for both adults and youth. For youth, these policies also reduce pre-employment/work maturity training and reduce the average length of program participation.
- Placing greater weight on the cost standards. State incentive policies that place greater weight on cost standards reduce the average length of services for adults and increase the provision of pre-employment/work maturity training for youth.

Finally, State performance-standards policies appear to have fewer effects on program costs than on clients or services:

- Adjustment policies. Use of the DOL models has no significant effects on program costs, although State procedures to allow for adjustments significantly increase the amount spent per terminee for both adults and youth.
- Emphasis on exceeding standards. State policies that emphasize exceeding performance standards increase costs per terminee, significantly for adults, although not cost per entered employment or cost per positive termination. Thus, these policies lead SDAs to enroll less hard-to-serve clients but to provide them with more classroom training in occupational skills, the most expensive service.
- Placing greater weights on cost standards. The weights placed on the cost standards do not significantly affect costs per terminee or SDA performance on the cost standards.

One reason that the quantitative results are smaller for costs may be that there is serious noncomparability of reported costs across SDAs. Some SDAs extensively leverage JTPA resources with funds from other programs, as discussed in the qualitative analysis.

The second phase of the quantitative analysis examined the mechanisms through which the State performance-standards policies influenced SDA behavior. In the first step of this examination, we examined the influence of a variety of SDA implementation practices on clients, services, and costs. In the second step, we examined the relationship between the State performance-standards policies and those SDA practices that appear to influence clients, services, and costs.

SDA policies and practices that were found to affect the types of clients served by JTPA include the following:

- PIC influence. PIC influence per se does not reduce service to the hard to serve. The results suggest that PICs that see their role as guiding the design of the program are associated with greater enrollment of the hard to serve while PICs that are more involved in contracting are associated with less service to some hard-to-serve groups.
- Enrollment criteria. SDAs that use objective basic skills or educational

criteria serve more hard-to-serve clients, probably because these criteria are used to slot participants into appropriate activities. In contrast, SDAs that use subjective judgments, require previous work histories, or accept "reverse referrals" from employers for OJT slots serve significantly fewer hard-to-serve clients.

- Service-provider arrangements. The use of CBOs as service providers is associated with greater service to several hard-to-serve groups, including both adults and youth dropouts. The percentage of expenditures in performance-based contracts does not reduce service to hard-to-serve groups, although there is a weak pattern that setting stringent contract terms reduces the service to some hard-to-serve groups in JTPA programs. SDAs that vary the terms of their contracts serve significantly more adult welfare recipients and dropouts.
- Program services. The types of program services offered by SDAs have a strong influence on the types of clients enrolled in JTPA programs. Basic skills remediation has the strongest association with enrollment of hard-to-serve groups, followed by classroom training in occupational skills, then job-search assistance. SDAs that provide more OJT tend to serve significantly fewer hard-to-serve clients.

After identifying the different effects that these various SDA designs and implementation practices have had on client outcomes, the quantitative analysis examined whether the practices themselves were related to variations in State performance-standards policies. The findings are consistent with the overall relationships between State policies and client patterns and help elucidate the mechanisms by which these relationships are realized.

SDAs in States that use the DOL model, which was positively associated with services to hard-to-serve clients, were less likely to use subjective judgments as enrollment criteria or to allow employers to preselect OJT trainees, two practices found to discourage services to hard-to-serve clients. Furthermore, SDAs in these States were more likely to target both youth and adult services to welfare recipients and groups with other barriers to employment.

SDAs in States with specific policies encouraging services to welfare recipients were more likely to establish procedures to recruit welfare recipients for both adult and youth participants. On the other hand, the local decision of whether to target dropouts was not significantly affected by State policies encouraging service to dropouts.

SDAs in States with policies that emphasize exceeding the standards, which were associated with reduced levels of services to hard-to-serve groups, were more likely to use subjective judgements about the likelihood of completing as a client enrollment criterion, which was also associated with reduced levels of services to hard-to-serve clients. These SDAs also made increased use of for-profit providers, which reduced the levels of service to some hard-to-serve groups. Furthermore, SDAs in States with a strong emphasis on exceeding the standards used more performance-based contracts with higher "holdbacks" for placements and higher wage rates. It is not clear from the quantitative analysis that these last two practices had a direct impact on clients served by the JTPA program, although higher required wage rates did appear to discourage services to some hard-to-serve groups.

SDAs in States that give greater than average weight to the cost standards, which was associated with reduced services to hard-to-serve groups, also were more likely to allow employers to make prescreened referrals of clients for OJT slots and were less likely to use special procedures to recruit welfare recipients into the JTPA program.

Overall, these results indicate that performance-standards policies affect the types of clients served, in part through their influence on the types of services offered and in part through their influence on SDA enrollment and contracting practices.

The results of the quantitative analysis indicate several State performance-standards affect SDA decisions about whom to serve and the types of services to provide. These results are statistically reliable and have important policy implications. Nonetheless, the effects of these policies are not large. These policies do not preclude service to the hard to serve or prevent provision of intensive services. Rather, these policies affect SDA tradeoffs at the margin.

Results from the Qualitative Analysis

The analysis of the qualitative case study data examined how and why the 30 case study SDAs varied in their reactions to the performance standards. In tracing the effects of the Federal and State performance-standards policies facing each SDA, we examined several elements of SDA program-design and implementation decisions: (1) the development of client goals and SDA plans for services to particular groups; (2) the development of overall service designs, including what services to offer, how much of each service to provide, how intensive to make each service, and how services relate to each other in the development of service plans for individual clients; and (3) the design of management practices for selecting service providers and overseeing program implementation. Within each of these program elements, we used the case study data to address questions about how the performance standards influenced SDA and service-provider decisions, how the performance standards interacted with other factors, and how the resulting SDA practices influenced clients, services, and costs.

Effects on Local Program Objectives

There was considerable variation both in the extent to which the performance standards influenced local performance goals and in the ways that standards produced these effects. About one-third of the case study SDAs had a goal of meeting the standards and "staying out of trouble" (that is, avoiding sanctions). Another one-fourth of the SDAs indicated a goal of exceeding the standards slightly, to have a performance safety margin and to realize some incentive awards. The remaining sites indicated a goal of performing at as high a level as they could on the standards, primarily because it was important to maximize their potential incentive awards. Pride was also mentioned by all types of SDAs as an important incentive to perform at or above the performance standards.

The relative importance of the performance standards in shaping local goals and priorities was conditioned in part by the importance to the SDA of receiving the maximum amount of incentive funds. Some SDAs placed high priority on receiving funds because they viewed them as compensating for shrinking 78% allocations and tight administrative limits. Others valued the awards for their public relations value. Still others used the awards to undertake projects that they could not fund with 78% money, such as projects serving high-risk clients or marketing or outreach projects that only indirectly contributed to outcomes.

Several typologies of responses to the performance standards help explain the variations in how the performance standards influenced clients, services, and costs within the case study sample. Client-oriented SDAs gave priority to their client objectives and oriented their program-design and management decisions around how this would affect their client goals. Employer-oriented SDAs gave priority to designing and implementing a service mix that would train individuals for jobs in demand in the local labor market. Performance-oriented SDAs gave priority to meeting or exceeding the performance standards (or other State or local performance measures). These were SDAs without strong employer or client goals to counterbalance their goals to exceed their performance standards.

Some client-oriented or employer-oriented SDAs were indifferent to the standards when they designed their programs, either because they did not care if they met the standards or because the standards were so easy to meet or exceed. Others adopted risk management strategies that enabled them to meet their performance goals while still furthering local client and service objectives. Performance-oriented SDAs tended to adopt risk avoidance strategies that increased the likelihood that they would meet the performance standards by avoiding hard-to-serve clients or adjusting the service mix for reasons that were standards oriented.

Finally, SDAs varied in the extent to which the SDA assumed responsibility for meeting its performance goals, shared that responsibility with service providers, or passed on the primary responsibility for performance to the service-provider level.

In balancing these different goals, the performance standards played an important role in some SDAs and a minor role in others. Only a few SDAs in the case study sample purely relied on "risk avoidance" rather than "risk management" in their response to the performance standards. *Most SDAs could meet their performance goals without having to resort to a major revision of other program goals.*

Effects on Client Goals

The qualitative analysis suggested that the *performance standards do not influence SDA client goals directly but rather influence clients served through their influence on SDA service designs and implementation practices.* Other factors that did influence client goals included (1) State equitable-service requirements and State policies for serving specific hard-to-serve groups; (2) the 40% youth expenditure requirement; and (3) the characteristics of the applicant pool, which were strongly influenced by environmental factors beyond the SDA's control, particularly the local unemployment rate.

Moreover, the case studies demonstrated that the *performance standards did not prevent SDAs that had a strong commitment to serving hard-to-serve groups from targeting and serving those groups.* Welfare recipients and dropouts were served out of proportion to their incidence in the population in a number of SDAs. Strategies for serving these clients included (1) designing special training classes that integrated remediation and world-of-work orientation with occupation skills curricula, (2) leveraging other JTPA funds (for example, 8%, 6%) or non-JTPA funds (for example, State funds, foundation funds), (3) targeting employers that offered health benefits, and (4) making explicit tradeoffs to balance services to hard-to-serve clients with less expensive services to other groups to enable the SDA to meet its performance requirements. In addition, groups with other barriers to employment (the handicapped, offenders, and limited-English speakers) were targeted for services by some SDAs. These groups were usually served in special programs operated by providers with a history of working with these groups.

Despite this general pattern, *some SDAs that were highly motivated to exceed their standards were influenced by the performance standards to develop "risk avoidance" strategies.* These SDAs tended to address the needs of some subset of eligible applicants that did not include those with the greatest barriers to employment.

Effects on Program Services and Costs

Performance standards had slightly more influence on the service mix offered to adults by SDAs. A few SDAs mentioned the standards when explaining their emphasis on OJT rather than classroom training. However, at least equally important influences on service mix were (1) the SDA's historical pattern of service delivery, as evolved from the CETA program; (2) the SDA's intentions about serving different client groups; and (3) PIC preferences about what services to emphasize in the SDA's service package.

SDAs exhibited wide variation in the intensity and duration of JTPA services. In addition, the costs of JTPA services varied dramatically among SDAs, and average cost figures often disguised tremendous variation within an SDA in the duration and intensity of services received by different participants. *The cost standards had some influence on this aspect of service design, because SDAs often wanted not only to meet but to exceed these standards to maximize their incentive awards.* For the SDAs that were highly motivated to "overperform" on the standards, the standards influenced them to design service programs that had short durations, yielded high entered-employment rates, and resulted in low unit costs. Thus, in these SDAs, the initial reaction to the standards was to emphasize quantity over quality. A number of these SDAs are beginning to shift toward more intensive services, however, partially in response to the implementation of the follow-up standards.

However, other factors were equally as important in determining the intensity and duration of services. These included (1) the availability of other funds to supplement Title II-A funds in purchasing services to benefit Title II-A enrollees, (2) the cost of the various service packages available from the service providers in the SDA, (3) the SDA's goals about the types of clients it wanted to serve and the intensity and types of services those clients required, and (4) the desire to spread JTPA funds over as large a client pool as possible.

There were two reasons why SDAs were very concerned about reducing average JTPA costs. A majority of SDAs visited were experiencing declining JTPA allocations (due to declining unemployment rates), which required a decision about whether to serve a smaller volume of participants and keep the average cost of services stable or to try to serve as many participants as previously possible by cutting back the average cost of the services received. Almost universally, the SDAs visited had decided to try to reach as many individuals as possible, without diluting the service intensity beyond reason.

The second reason for an emphasis on cost reduction was the SDAs' desire to exceed the cost performance standards. Although the vast majority were in no danger of missing these standards, the emphasis on overperforming grew out of a desire to maximize their incentive awards.

The existence of performance standards for youth did not seem to affect the extent of SDA resources devoted to youth programs per se. Performance standards did, however, affect SDA decisions about serving in-school versus out-of-school youth. There is an intensive debate among and within SDAs about the extent to which JTPA programs should be offering employment-oriented or competency-oriented training. SDAs that chose to emphasize competency-oriented services found it difficult to meet their entered-employment-rate standards while those emphasizing employment-oriented programs found it difficult to meet their positive-termination-rate standards.

Nonetheless, local goals about whether to run employment-oriented or competency-oriented programs for youth, as well as the Federal requirement to spend 40% of JTPA funds on youth, appeared to have greater influences than the standards. However, a number of SDAs had instituted a youth employment-competency system to meet their positive-termination-rate standards.

Effects on Management Practices

SDA management practices were designed to further a variety of management goals, including ensuring (1) that the planned mix of clients was actually served, (2) that the planned mix of services was actually provided, (3) that each client was referred to appropriate services, (4) that service providers enrolled clients that were appropriate for that service and had a reasonable likelihood of success, (5) that costs would be kept within reasonable limits, and (6) that the desired performance levels would be achieved.

To further their management goals, SDAs instituted a number of practices for enrollment and assignment to services, placement, and selection of service providers. Some of these practices grew out of their approach to the performance standards.

Most of the SDAs visited maintained centralized control over the outreach, assessment, and referral of clients to service components, with a smaller number leaving responsibility for these services to service providers. *Contrary to expectations, the enrollment of hard-to-serve clients was not correlated with the SDA's control over enrollment;* SDA and service-provider goals about serving the hard to serve seemed to be more important than who controlled enrollment.

Some SDAs protected themselves against the risk of serving hard-to-serve individuals, however, by delaying enrollment until after some services had been delivered to avoid having to include early dropouts in their statistics.

Performance standards did affect SDAs' service-provider arrangements. *In particular, service providers' past performance often influenced the size of their contract in the next funding period. However, a number of additional factors influenced provider selection and retention, often more strongly than the performance standards per se,* including the availability of alternative service providers, the characteristics of the local economy, the amount and categories of services that the SDA contracted out, and the goals and philosophy of the PIC or SDA.

Two-thirds of the case-study SDAs had some current performance-based contracts. *Although the performance standards were a factor in the spread of performance-based contracting among the case study SDAs, the 15% administrative limit was at least as important;* this was especially true in the context of declining Title II-A allocations.

Among performance-based and cost-reimbursement contracts alike, the great majority incorporated performance criteria as either requirements or goals. In about half of the case study SDAs, contracts built in the SDA's standards (usually with a "cushion") directly. Most of the other half varied key contract terms among their providers but took care that, aggregating across the providers, they met or exceeded the SDA's own standards. *Providers facing high placement expectations, high wage goals, high placement holdbacks, and caps on maximum service duration were inclined to be cautious about the clients they would accept.* If high-percentage-holdback contracts become more prevalent, "riskier" clients, who have more severe employment barriers, may be more likely to be screened out of service programs.

Contract terms should not, however, be understood as simple outgrowths or reflections of the standards. Many of the key features of these contracts predate JTPA programs, as does the use of performance-based contracts in several of the case study SDAs. The relationship between contract terms and the SDA's performance standards was affected by several factors. These included how difficult a given SDA found it to recruit and retain clients, the relative employability of available clients, the availability of alternative service providers, the status and direction of the SDA's Title II-A allocation, its access to non-JTPA funding, and the philosophy and goals of the PIC and the SDA staff. Finally, even when the form of performance-based contracts is a recent development, they often essentially continue the mutual expectations that an SDA and a provider had developed in earlier years.

Service providers varied in their reactions to the performance expectations placed on them by the SDAs. In a few cases, contractors faced pressures to perform at high levels, which caused greater caution in client selection. Most providers, however, had a commitment to serving hard-to-serve clients, and their contract terms gave them enough flexibility to meet that commitment.

For the most part, the management practices found in the case study SDAs are consistent with "risk management" strategies rather than "risk avoidance" strategies. That is, using these practices to safeguard performance levels, SDAs could and did serve difficult clients under the JTPA program while attaining their performance goals.

Results of the Integrated Analysis

Local Response to Performance Standards

The JTPA legislation gives authority to SDAs to design programs to meet local needs. Consistent with this intent, this evaluation found dramatic differences among SDAs in the design and operation of JTPA programs, and many of these differences affected clients, services, and costs. Although performance-standards policies did affect some SDA design decisions, many elements of local JTPA design reflected local conditions and constraints beyond the control of the SDA. The local unemployment rate in particular had a strong influence on the type of clients in JTPA programs. In tight labor markets, most of the clients interested in JTPA programs were those who had little work experience or major barriers to employment, often requiring basic skills remediation. In contrast, in areas with high unemployment, individuals seeking JTPA services generally had more job skills and required help in retraining for new industries or occupations. The local availability of service providers and of alternative services also affected the types of services that were offered through JTPA programs, resulting in notable differences between urban and rural SDAs.

Within the local context, we also found substantial variation in program design that reflected SDAs' choices of goals for the JTPA program. Generally, we found SDAs to be influenced by three different objectives: (1) commitment to serving specific types of clients, (2) commitment to responding to local employer needs and interests, and (3) commitment to achieving specific levels on JTPA performance standards. The relative emphasis that SDAs placed on these three objectives varied a great deal.

To the extent that SDAs stressed client objectives, they tended to design program services appropriate to the needs of those clients and to choose management practices to ensure achievement of their client goals. To the extent that SDAs stressed employer needs, they gave priority to designing and implementing a service mix to train individuals for the more highly skilled jobs and enrolled participants appropriate for that training.

In general, most client-oriented and employer-oriented SDAs were able to meet their performance goals without major revisions to their other goals. In conjunction with clearly identified client and service goals, performance standards appeared to have their intended effects of increasing efficiency and accountability.

This evaluation found only a few SDAs that gave priority to their performance goals (generally goals of maximizing incentive awards) at the expense of other program objectives. Only in those SDAs without well-defined client or service goals did performance standards have notable unintended effects. In a vacuum, performance standards can produce unintended effects of reducing service to the hard to serve and decreasing the intensity of services.

Effects of State Policies

The JTPA legislation gives considerable authority to the States, both to establish performance-standards policies and to set priorities for the types of clients to be served in JTPA programs. There is a great deal of variation in how States have chosen to use that authority. This evaluation examined how SDAs responded to these differences in State policies.

We found that States can provide an effective leadership role in setting client priorities for JTPA programs. States that established target groups for JTPA programs did influence SDAs to enroll more hard-to-serve clients. Often States used performance-standards policies to convey their client priorities, including setting State standards for service to target groups or using 6% funds for service to those groups. States that used the optional DOL adjustment models, which adjust standards for the types of clients served, also influenced SDAs to enroll more hard-to-serve clients.

Some of the ways that States have used their authority in establishing performance-standards policies have had unintended effects. In particular, incentive policies that emphasize exceeding standards rather than simply meeting standards tend to reduce service to some hard-to-serve groups and reduce the amount of basic skills remediation services. Emphasis on exceeding standards seems to have institutionalized sometimes intense competition among SDAs and conveyed the message that "cheaper is better." The effects of these policies, however, are not large and affect SDA choices at the margin.

Effects of Federal Policies

Federal performance-standards policies are intended to be neutral with respect to the types of clients served. They are intended to guide SDAs to choose cost-effective services but not to reduce local flexibility in designing services appropriate to local needs. This evaluation found that the Federal standards for the entered-employment rate and wage rate for adults generally did not have unintended effects on clients or services. Furthermore, no evidence showed that the welfare entered-employment-rate standard inhibited service to welfare recipients.

The Federal cost standards, however, had the most unintended effects and were the least comparably measured of all the Federal performance measures. This evaluation found that SDAs in States that placed more weight on the Federal cost standard tended to serve fewer hard-to-serve clients and that SDAs concerned about exceeding the cost standards tended to design less intensive services. At the same time, this evaluation found serious measurement problems with the cost standards. We found large differences in the extent to which SDAs were leveraging JTPA funds, either by using funds from other programs to help fund JTPA Title II-A programs or by using service providers that had alternative funding sources. As a result, it is difficult to compare the cost of services received by JTPA participants across SDAs.

There was also considerable confusion among SDAs in how to manage youth programs to meet all the youth standards. Because the goals of in-school and out-of-school programs were so different, SDAs that emphasized one type of service often found it difficult to meet at least one youth standard. Thus, the Federal youth standards tended to constrain SDA choices about serving in-school versus out-of-school youth.

Summary

This evaluation found that performance-standards policies can influence SDAs' choices about clients, services, and costs. Some effects are the intended results of State leadership in setting priorities for the JTPA program; some effects are the unintended results of State and Federal policies that tend to reduce service to hard-to-serve groups or reduce the intensity of service. The unintended effects, however, are neither large nor inevitable. Performance standards do not preclude SDAs from enrolling hard-to-serve clients or from providing intensive services but do affect some SDA tradeoffs at the margin. Furthermore, there is substantial variation in how SDAs choose to react to standards. Most SDAs can meet their performance goals without major revision to their client and service goals. Only in SDAs without client or employer goals do performance standards have substantial unintended effects.

XIV. Implications for the Performance-Standards System

The findings of this evaluation indicate that the performance standards do not preclude SDAs from enrolling hard-to-serve clients or from providing intensive services. Nonetheless, the results of this evaluation also indicate that not all aspects of the performance-standards system are working as intended and that some policies have important unintended effects. In this chapter, we examine the implications of the results for both Federal and State performance-standards policies.

Federal Policies

Choice of Performance Measures

Cost Measures. The JTPA legislation mandates that cost standards be included as Federal performance standards. Both the quantitative and qualitative results, however, indicate that the cost standards had the most unintended effects and were the least comparably measured of all the Federal standards. There were unintended effects on both clients and services: States that placed a high weight on the cost standard lead SDAs to serve fewer welfare recipients and dropouts; in our case study sample, some SDAs concerned about exceeding their cost standards designed short-term, less intensive services.

The measurement problems in the cost standards were also serious. SDAs that were able to leverage JTPA Title II-A funds with other program funds or that were able to rely heavily on service providers with alternative funding sources had much lower measured costs than those SDAs that relied solely on Title II-A resources to train their participants. Some quantitative results supported this finding, and our case studies found dramatic differences in the leveraging of JTPA funds. As a result, basing incentive payments on the cost standards probably rewards differences in the local availability of other training resources as much as differences in management quality.

Clearly, cost-effectiveness is an essential goal of any program, and an increase in the extent of leveraging, which reduces redundant services, may be a desired effect of the cost standard. Nonetheless, we found that many SDAs were already very concerned about costs because of a strong desire to serve as many participants as possible with limited (and often declining) JTPA funds.

The results of this evaluation suggest that alternatives to the cost standards should be explored. Out of concern for the unintended effects of the cost standards, DOL set much more lenient costs standards for PY 88. This policy is not likely to be effective, however, in States that strongly emphasize exceeding, not just meeting, standards, particularly when the cost standards are weighted more heavily. An alternative that requires legislative changes would be to set maximum costs per entered employment (or positive termination) that SDAs could spend but not to base incentive payments on cost standards. In effect, this policy would treat costs as a compliance rather than a performance-standards issue.

Youth Measures. The only other problem in the choice of measures was a less serious concern raised about the youth measures. SDAs were generally confused about how to manage the youth programs to meet both the entered-employment-rate and positive-termination-rate standards. Because the goals of in-school and out-of-school programs were so different, SDAs that emphasized one type of service often felt pinched by at least one youth standard. One possible solution is to set separate standards for in-school programs and out-of-school programs so that the SDAs' choice of program mix would not affect their ability to meet the youth standards.

A related issue is the inclusion of youth employment competencies in the positive-termination measure. Although evaluating the quality of the competency systems was beyond the scope of this study, we found that a substantial majority of the case study SDAs had made a conscientious effort to establish meaningful systems. However, many SDAs reported that they would not have adopted the competency-based approach in the absence of the positive-termination-rate standard. Thus, SDAs naturally tended to develop systems that would reflect well on the programs that they were running. Despite the temptation to implement a superficial YEC system, only 2 of the 30 case study SDAs had adopted a "quick and dirty" competency system, and one of those used it only as a back-up outcome for their employment-oriented youth services.

Level of Standards

The results of this evaluation do not indicate the need for changes in the general levels at which performance standards are set. The low levels of most standards generally allow SDAs to meet the standards and design their programs for local needs, while providing a clear incentive for good performance. The only exception is a concern among a number of SDAs that the positive-termination-rate standard is too high for serving very at-risk youth, many of whom may drop out of the program.

DOL Adjustment Models

The use of the DOL adjustment models appears to be very effective in increasing service to hard-to-serve groups and in increasing the length of adult services. These models, therefore, appear to have their intended effects of holding SDAs harmless for their local decisions of whom to serve in JTPA programs.

The models adjust for characteristics of clients served and the length of services, as well as local economic conditions. The models do not, however, adjust for the types of services offered. This evaluation has found that the types of services offered significantly affect the types of clients enrolled in JTPA programs and that some of the unintended effects of performance standards, particularly the cost standards, are to reduce the provision of intensive services. Furthermore, we found that the types of services significantly affect program costs, with classroom training in occupational skills and basic skills remediation costing considerably more than job-search assistance.

Because the adjustment models are effective tools in holding SDAs harmless for local decisions, these results imply that serious consideration should be given to including some adjustments for program activities in the models for the cost standards. In particular, adjusting for basic skills remediation would enable SDAs to spend more money when they include basic skills remediation in their service package.

Technical Assistance

The evaluation findings suggest that additional technical assistance from DOL could be used to improve the effectiveness of the performance-standards system. First, DOL could provide assistance to States to develop their full leadership potential in setting client and service priorities for their SDAs and to develop performance-standards policies consistent with those goals. Second, DOL could provide additional assistance to SDAs to develop strategies to balance performance goals with other client and service goals. Third, although there is a moderate level of understanding of the adjustment model, many SDA respondents felt unsure that they fully understood how the process worked. Given how important the model is in encouraging service to the hard to serve, DOL efforts to improve understanding of the model should increase the intended effects of the model.

Reporting

We found very little evidence that the Federal reporting requirements necessary to support the adjustment models were a burden to SDAs, providers, or participants. Most of the information required was information that the providers needed to manage their programs or for equal-opportunity documentation. Furthermore, most SDAs maintained computerized participant-level data bases (often supported by the State), so preparing reports on participant characteristics was not difficult. In fact, some respondents indicated that the greatest burden was the delay in issuing the JASR revisions because of the prolonged negotiations between DOL and OMB.

However, two reporting practices reduced the comparability of the performance measures. First, typically SDAs delayed enrollment of participants until after an orientation period so that individuals who dropped out early were not enrolled. This pre-enrollment period usually lasted 3 to 5 days, but in some SDAs went on for several weeks. We found that SDAs with longer pre-enrollment periods have significantly higher measured entered-employment rates. These results suggest that some monitoring of this process at the State or Federal level would increase the comparability of measured performance.

Second, as discussed above, the fact that many SDAs leverage JTPA funds with other resources substantially reduces the comparability of the cost standards. The problem cannot be rectified by reporting requirements because SDAs would find it very difficult to estimate the value of other resources (for example, the State subsidy to community colleges).

State Policies

State Performance Standards

States are increasingly adopting State performance standards to further their goals for the JTPA system. The study demonstrated that States can affect the direction of the JTPA program by implementing State performance standards to supplement the Federal standards. In particular, State standards for service to target groups furthered the State's client priorities for the JTPA program. The success of these policies should encourage other States to attempt to play a leadership role if they desire to do so.

Additional Adjustment Procedures for the Federal Standards

Although the effects are not entirely consistent, the quantitative results suggest that State policies that specify procedures to obtain additional adjustments beyond the model do increase service to some hard-to-serve groups and encourage provision of basic skills remediation to youth. However, in our case studies, we found that both State and SDA staff were not particularly comfortable with the adjustment process as it now exists. State staff felt unsure about how to establish equitable criteria for adjustments beyond the model and about how to determine the appropriate size of adjustments. SDA staff often felt that they did not understand the statistical basis of the models well enough to justify adjustments. In addition, some staff felt that requesting adjustments was admitting failure and, particularly when SDAs competed for funds, that it was not fair to "go begging."

One SDA director suggested an alternative process that he felt would be more acceptable. Specifically, he suggested that SDAs be allowed to request waivers from the performance standards for projects that met well-specified criteria, for example, for starting up a program for high-risk clients. This would be more acceptable, he said, because the standards for the remaining projects would not be affected, so that all SDAs would still be abiding by the same rules.

Hard-to-Serve Policies

State policies to encourage service to hard-to-serve groups include additional State performance standards, integrating service to hard-to-serve groups into the calculation of incentive payments, and identifying priority groups. The evaluation indicates that States can play an effective leadership role in focusing JTPA programs on the needs of particular hard-to-serve groups through a variety of incentive awards adjustments, in addition to the implementation of special State standards.

Incentive Policies

The JTPA legislation requires that incentive payments be awarded based on the extent to which standards are exceeded. States policies vary widely in how that requirement is implemented. Policies that place a strong emphasis on exceeding standards are found to lead SDAs to reduce service to hard-to-serve groups, reduce provision of basic skills remediation, and increase the employment focus of both the adult and youth programs. These are largely unintended effects of both the legislative requirement and of the specific State policies. The results of this evaluation strongly suggest that these policies should be re-examined.

Another important aspect of incentive policies is the weight placed on each standard. High weights on the cost standard were found to reduce service to welfare recipients and dropouts. States that equally weight the percentage by which each standard is exceeded implicitly give substantially greater weight to the cost standards because costs are more variable among SDAs. These policies should also be re-examined.

The case studies also indicate that incentive payments are very important to SDAs because of two other Federal policies. First, the allocation formula bases funding on the unemployment rates. Incentive payments help SDAs cushion the decline in JTPA funding brought on by an improving economy. Second, many SDAs are squeezed by the 15% limit on administrative costs. Because 30% of incentive funds can be used for administrative costs, these funds are particularly valuable to many SDAs.

Sanction Policies

Many States have not developed specific policies for sanctioning SDAs for poor performance, and even when these policies are in place, States are reluctant to enforce them. The threat of reorganization has little effect on SDA behavior.

Technical Assistance

The study findings suggest that SDAs would benefit from additional State technical assistance to clarify the State's intention in designing its performance-standards policies and to discuss how the performance standards should interact with other client and service priorities in furthering JTPA program priorities.

Conclusions

1. **The performance standards need to be balanced by local client and service goals to provide a useful guide to managing JTPA programs. If taken as the sole statement of program goals, the standards can lead to unintended effects of reducing service to hard-to-serve groups and decreasing the intensity of JTPA services.**

The study found that States, SDAs, PICs, and many service providers express strong support for the idea of cost-effectiveness and accountability for outcomes as an important part of the JTPA program. When SDA staff talk about the effect that performance standards have had on the design and operation of their programs, they generally do not question the premise that they should be accountable for program outcomes.

The idea of performance accountability, however, has been embraced by some individuals in the JTPA system to the extent that performance goals sometimes receive more emphasis than other program objectives, such as client priorities and goals about what types of services to offer. The absence of clear client and service goals in some States and SDAs is unfortunate, because it can result in performance goals receiving undue emphasis. Performance standards had notable unintended effects of reducing service to the hard to serve and decreasing the intensity of services only in SDAs without well-defined client or service goals.

In general, however, the performance standards are not preventing SDAs from pursuing their local client and service goals and are not dramatically altering the types of clients served by JTPA programs or the types of services being offered.

2. **Although the performance-standards system as a whole appears to be working, the cost standards are more problematic than the other standards. Reducing the emphasis on the cost standards would reduce unintended impacts of the standards.**

The Federal cost standards have the most unintended effects and are the least comparably measured of all the Federal performance measures. In addition, SDAs in States with incentive policies that emphasize performance in excess of the standards often find that reducing costs is the easiest and most dramatic way to perform beyond their standards.

Thus, concerns about exceeding the cost standards tend to reduce the average intensity of services offered by some SDAs. These findings suggest that alternatives that reduce the emphasis on the cost standards should be explored.

3. **State incentive policies have unintended effects and need to be re-examined. States should be assisted in developing policies that enable them to fulfill their potential of providing leadership to the JTPA system.**

The State incentive policies that encourage SDAs to perform as high as possible on all the standards have unintended effects. The quantitative analysis showed that these policies have modest but consistent effects of reducing service to hard-to-serve clients and reducing the provision of expensive program services, such as basic skills remediation.

Because these impacts are probably not intended, States should carefully review their performance-standards policies. One solution may be for States to establish more explicitly client priorities in their performance-standards policies. Another solution may be for States to develop policies that are more neutral in their effect on SDA client targeting decisions and service design choices.

Solutions should be explored to permit States to reward SDA performance that is "exemplary" rather than "average" while avoiding unintended effects on clients and services.

4. **The youth standards are currently influencing SDA decisions about client targeting and program design. One change that would reduce unintended standards impacts would be to establish separate standards for in-school and out-of-school youth.**

There is intense debate within and among SDAs about whether youth programs should be oriented toward immediate employment or toward employment-competency outcomes. We saw no signs of an emerging consensus on this issue.

The performance-standards system requires SDAs to report both employment and employment-competency outcomes for all youth participating in the JTPA program. This compromise, however, has not been completely satisfactory from the SDAs' perspective. SDAs that emphasized services to in-school youth often found it difficult to meet the youth entered-employment-rate standard, while SDAs that emphasized employment-oriented services to youth who have left school often found it difficult to meet the youth positive-termination-rate standard.

Although most SDAs have developed program designs that enable them to meet the youth performance standards, there is little enthusiasm and considerable confusion at the SDA level over the youth standards. One change that might increase local discretion would be to establish separate standards for in-school youth and out-of-school youth.

Recommendations

Recommendations of the Commission

The National Commission for Employment Policy believes that this report is an extremely valuable contribution to research on the Job Training Partnership Act (JTPA), and one whose findings have implications that go well beyond the scope of this project—to determine the impact of performance standards on clients, services, and costs. Insights gained from the comprehensive analysis of both quantitative and qualitative data call for actions from national, State, and local policymakers that are not limited to performance standards. Therefore, the Commission's recommendations include both general ones as well as specific recommendations concerning changes to the performance management system itself.

General Recommendations

National Policy

The Act balances legislative and Federal objectives for the program with local discretion designed to allow the program to meet local needs. The Commission believes that targeting of JTPA programs works very well but that the Congress must be very clear about who the Act is intended to serve while maintaining the balance between national objectives and local discretion. Further clarity may be needed in defining the three major target groups mentioned in the Act—welfare recipients, dropouts, and youth. For example, with respect to welfare recipients, since legislation affecting both the welfare system and JTPA's service to welfare recipients has been under consideration by the Congress, it may be timely to clarify that long-term welfare recipients (those receiving welfare for 2 years or longer) are the welfare recipients best served in JTPA programs. In the area of dropouts, it may be necessary to define dropouts as youth (since the lack of a high school credential, for a youth more so than for adults with work experience, is a significant barrier to employment). For all dropouts, basic skills deficiencies appear to be more of a barrier to full workforce participation than educational status.

Probably more than any other vehicle, performance standards have been used to transmit national policy in JTPA programs. Sometimes these signals, transmitted through the choice of performance measures and national standards, have not always been clear to State and local program managers. Recently, much progress has been made in using performance standards to reinforce already stated policy goals and objectives.

However, we believe that performance standards should reinforce policy, not establish policy goals. *The Commission recommends that the Department of Labor clearly articulate (1) policy objectives for the program apart from performance standards, (2) specific policy on the provision of basic skills for both youth and adults, (3) objectives about the intensity of training (and the type of training appropriate for JTPA participants) that are desirable, (4) appropriate outcomes for both in-school and out-of-school youth, and (5) objectives concerning the State role in promoting such objectives.*

The Department of Labor needs to give additional attention to the collection of and definition of data elements to support policy objectives and work with the Office of Management and Budget to implement a more carefully defined management information system.

State Policy

This report has provided new insight into the role of States in the performance management system. As the report indicates, State policies can either promote or dissuade PICs and SDAs from providing intensive service to the hard to serve. The Commission believes that better use can be made of these policy tools through the goals and objectives detailed in the Governor's Coordination and Special Services Plan, through incentive award policies for exceeding performance standards, through sanctions for failure to meet performance standards, and through the use of incentives for serving the hard to serve as specified in Section 202 (b)(3)(B) of the Act. *The Commission recommends that States improve their incentive policies to promote the provision of service to those clients deemed to be most in need.* One particular mechanism to achieve a clearer focus on the hard to serve is through better use of incentives for serving the hard to serve.

Local Policy

The Commission is concerned that one partner in the Act, the service provider, is still largely overlooked in the performance management system. Since JTPA services are often provided by entities other than the administrative entity, we are concerned that contractors need to be included in both the risks and the rewards of programs. *The Commission recommends that PICs develop reward systems built into contracts for service providers who are successful in providing intensive service to the most in need in the JTPA population, particularly for welfare recipients and dropouts, as well as other groups the PICs target for service.*

Specific Performance Management Recommendations

The Commission calls attention to the fact that all recommendations made here are provided based on the performance management system in place during PY 86-87 without the benefit of analyzing the effect of the implementation of post-program performance measures and standards. This report notes a fair degree of support for measuring the employment and earnings of individuals after they leave JTPA programs, but since no standards were in place during the year of this study, we could not directly assess their effect on who is served, the type of service, or the cost of such service.

We do believe, however, that most of the recommendations offered here will apply once post-program standards have been fully implemented into the JTPA system.

Choice of Measures

1. The Commission strongly supports the concept of cost-effectiveness inherent in per-

formance standards and recognized in the Act but believes that too much emphasis on efficiency measures (in this case two performance standards dealing with cost) may have had the unintended effect of precluding the attainment of effective programs to meet the goals of the Act. We are also concerned about the comparability of the cost information across programs. JTPA programs have made great strides in leveraging the resources of other systems to serve the economically disadvantaged; however, this may mean that the actual cost of serving some clients is underreported in some programs.

Therefore, *the Commission recommends that Section 106 (b)(4), which requires the Secretary to prescribe performance standards relating gross program expenditures to various performance measures, be amended to direct that cost-efficiency be monitored by States.*

2. The Commission endorses the concept that employment is the major objective of the Act and believes that the Act wisely emphasizes increases in employment and earnings as major goals. However, the Act also recognizes the importance of outcomes other than employment for youth—namely, the attainment of youth employment competencies; completion of major levels of school; and enrollment in other training programs.

As the report's findings indicate, one of the intended effects of performance standards for youth that was realized was the development of programs to enhance a young person's future employability through the attainment of youth employment competencies. While the Commission favors this approach to youth programs, we are concerned about the continuing problems in the youth measures. The Commission endorses preserving local programs' discretion about the relative emphasis of serving in-school and out-of-school youth. The new youth measure introduced for PY 88 will not fully address the differing goals of in-school programs that focus on improving basic skills competencies and dropout prevention strategies and out-of-school programs that should focus on employability development (particularly in the area of basic skills) for youth for whom the final outcome is employment. *The Commission therefore recommends that the Department of Labor develop separate reporting for in-school and out-of-school youth programs and develop appropriate outcomes for both.*

Exceeding Performance Standards

The evaluation of the effect of performance standards also points to another area of concern in the legislation that we believe requires remedy. Section 202 (b)(3)(B) of the Act directs the Governor to provide incentive awards for programs "exceeding performance standards." As indicated in this evaluation, this language may have had the unintended effect of promoting overperformance and setting up competition among SDAs for incentive funds at the expense of some clients and services that might otherwise be offered for the hard to serve. One of the original principles upon which the performance management system was based is that SDAs should be judged against their own local circumstances, that is, economic conditions, characteristics of the population to be served, and so forth. *The Commission recommends that the Congress clarify its intent to promote service to the hard to serve by changing Section 202 (b)(3)(B) of the Act to provide for incentive awards based on "meeting" performance standards.* At a minimum, States should include provisions in their incentive policies that do not promote overperformance at the expense of service to the hard to serve.

The Commission believes that further discussion is needed about more specific guidance to the States concerning "incentives for serving the hard to serve." Therefore, *the Commission recommends that an amendment to Section 202 (b)(3)(B) be considered to re-*

quire States to provide such incentives.

Encouraging the Provision of Basic Skills

We are particularly concerned about encouraging the attainment of basic educational skills for both youth and adults. We have supported the efforts of the Secretary in emphasizing the role of training programs like JTPA in ensuring that basic skills remediation is a significant part of any employability program. The Commission is also interested in ways to provide incentives to JTPA program operators to link improvements in basic skills with occupational training and ultimately employment. One way to improve the performance management system's ability to do so may be to collect data that could be used to adjust standards or provide bonuses for programs that emphasize the provision of basic skills in addition to employment. *The Commission therefore recommends that the JTPA Annual Status Report be changed to include information for both adults and youth who, in addition to entering employment, attain basic skills while enrolled in JTPA progams (whether or not attained with JTPA funds).*

Adjustment to Standards

The Commission is pleased that the adjustment models used by the majority of States to establish local SDA standards have the intended effect of promoting service to some target groups for which employment may be more difficult to achieve (the so-called hard to serve); however, we are concerned that the use of any further adjustments does not seem to be an effective approach for a variety of reasons. JTPA programs must encourage innovative strategies to solve the difficult problems faced by those served under the Act. While we commend the Department of Labor's effort to promote additional adjustments, the Commission believes that it is time to consider alternative approaches.

We do not believe that enough work has been done in this area to suggest specific approaches, but some suggestions from recent Commission publications and from the work of other groups should be explored. These studies suggest utilizing incentive approaches rather than (or in addition to) the "hold harmless" approach currently used in the adjustment models. Some of the specific options that should be considered include the use of incentive funds for serving at-risk clients based on pre-enrollment criteria such as targeting individuals with limited prior work experience, with basic skills deficiencies, and who are long-term welfare recipients; and the use of waivers to performance standards to encourage innovative strategies for programs that serve the most at risk. A waiver could also be used for programs expected to transcend program years, thus promoting longer term programs when suitable for the hard to serve. *The Commission recommends that the Department of Labor explore such alternative approaches which may go "beyond the adjustment models" to promote positive incentives to serving individuals most at risk of future employment problems.*

Incentive Awards

The Commission is concerned that some incentive award policies have become so complex that they may be having the unintended effect of dissuading service from the hard to serve simply because the policies are difficult to understand. This report has noted a number of both positive and negative approaches currently in use by States that affect who is served, the type of service, and the cost of service. Translation of goals and objectives through the use of the incentive award system needs to be kept as simple as possible to have the desired effect on local programs. *The Commission therefore recommends that technical assistance be provided to States to ensure that incentive policies have the effect States intended and that States clearly reward service to clients most* *in need.*

Technical Assistance

The Commission is pleased that, for the most part, PICs and SDAs have a fairly good understanding of the performance standards system, but we are concerned that a different strategy in the delivery of technical assistance is needed. The Department of Labor is to be commended for providing assistance on performance standards, including their development and ways to adjust standards. However, we are concerned that their technical assistance on standards does not sufficiently promote the policy objectives important to system-wide program improvement aimed at better preparation of the workforce. *The Commission recommends that future technical assistance efforts be focused on improving programs and developing innovative strategies targeted to long-term employment of the most in need. Performance standards should be included as one aspect of how to plan and manage programs.* Such a strategy should include PICs and service providers and must emphasize how to integrate program goals about who to serve and the types of service with performance expectations into contracts.

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